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United Nations Human Settlements Programme

Financial report and audited financial statements

for the biennium ended 31 December 2013

and

Report of the Board of Auditors

United Nations • New York, 2014

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

Letter dated 31 March 2014 from the Executive Director of the United Nations Human Settlements Programme addressed to the Chair of the Board of Auditors

In accordance with regulation 6.5 and rule 106.10 of the Financial Regulations and Rules of the United Nations, I have the honour to transmit the financial report and accounts of the United Nations Human Settlements Programme, including associated trust funds and other related accounts, for the biennium ended 31 December 2013, which I hereby approve.

Copies of these financial statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

(*Signed*) Joan **Clos**
Executive Director

Letter dated 30 June 2014 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Human Settlements Programme for the biennium ended 31 December 2013.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements of the United Nations Human Settlements Programme: audit opinion

1. We have audited the accompanying financial statements of the United Nations Human Settlements Programme (UN-Habitat) for the biennium ended 31 December 2013, which comprise the statement of income and expenditure and changes in reserves and fund balances (statement I), the statement of assets, liabilities, reserves and fund balances (statement II), the statement of cash flows (statement III) and the supporting statements, schedules and explanatory notes.

Responsibility of management for the financial statements

2. The Executive Director of the United Nations Human Settlements Programme is responsible for the preparation and fair presentation of the financial statements in accordance with the United Nations system accounting standards and for such internal controls as management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

3. Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UN-Habitat as at 31 December 2013 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Report on other legal and regulatory requirements

7. Further to our opinion, the transactions of UN-Habitat that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

8. In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UN-Habitat.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the
United Republic of Tanzania
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor General of China

30 June 2014

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Human Settlements Programme (UN-Habitat) promotes socially and environmentally sustainable towns and cities, with the goal of providing adequate shelter for all. This includes providing information and support to Member States for developing policies and legislation to improve living conditions, as well as supporting operational activities, for example, improved water provision and sanitation.

The headquarters of UN-Habitat is in Nairobi. It has four main regional offices covering Africa, the Arab States, Asia and the Pacific and Latin America and the Caribbean. It also has liaison and information offices in New York, Brussels, Geneva, Moscow, Beijing, Chennai (India), Amman and Budapest and project offices in many other countries and cities across the globe. UN-Habitat employs some 387 core staff, approximately 130 of whom are based in offices away from headquarters, along with fluctuating numbers of staff on specific contracts, in particular in field offices.

The total income of UN-Habitat for the 2012-2013 biennium was $378 million, while total expenditure was $348.6 million, resulting in an excess of income over expenditure of $29.4 million.

The Board of Auditors has audited the financial statements and reviewed the operations of UN-Habitat for the biennium ended 31 December 2013. The audit was carried out through the examination of the financial transactions and operations at the headquarters in Nairobi and field visits to the country offices in Afghanistan, Kenya, Nigeria, Somalia and the Sudan.

Opinion

The Board issued an unqualified audit opinion on the financial statements of UN-Habitat for the biennium ended 31 December 2013. The opinion of the Board is reflected in chapter I of the present report.

Overall conclusion

The Board's review of the financial statements and the operations of UN-Habitat did not identify material errors, omissions or misstatements; however, there are a number of areas with scope for improvement, specifically, budgetary controls and management of the Experimental Reimbursable Seeding Operations Trust Fund. UN-Habitat adopted the International Public Sector Accounting Standards (IPSAS) from 1 January 2014 but did not meet the set deadline of 31 March 2014 for the preparation of actual IPSAS-compliant opening balances.

Key findings and recommendations

Inadequate project budgetary monitoring and management

The total expenditure of UN-Habitat in 2012-2013 was in excess of the budgeted amount for 44 projects. A total of $25.38 million in expenditure compared with the budgeted amount of $22.61 million resulted in a budget overexpenditure of $2.77 million. A further 50 projects had zero and negative allotments in the system, yet reported a total expenditure of $5.27 million as at 31 December 2013. The Board is concerned that UN-Habitat lacks a proper mechanism for monitoring and managing the budget implementation of projects.

Management of the Experimental Reimbursable Seeding Operations Trust Fund

The Board's review of the Experimental Reimbursable Seeding Operations Trust Fund found delays in repayments totalling $37,518, which were due from beneficiary countries as at 31 December 2013. This is contrary to clause 6.1 of the Experimental Reimbursable Seeding Operations loans agreements and the repayment schedule. Moreover, UN-Habitat has not yet implemented a resolution reached by its Governing Council in 2011 to identify and appoint an external development partner to manage the Fund.

Overdue unliquidated obligations

The financial statements for the period ended 31 December 2013 include $43.44 million reported as a balance of unliquidated obligations. The Board found that $2.31 million of these (5 per cent) were unliquidated obligations that had been created in the system for the period from 2007 to 2011 but had not been cancelled, closed or reobligated as required by the Financial Regulations and Rules of the United Nations.

Recommendations

In the light of its findings, the Board has made recommendations throughout the body of the report. Its main recommendations are that UN-Habitat:

Inadequate project budgetary monitoring and management

(a) (i) **Closely monitor project budget implementation; (ii) exercise control over project funds to allow for proper authorizations before any redeployment is effected; and (iii) maintain liaison with United Nations Headquarters to address the budgetary control gaps in the Integrated Management Information System (IMIS);**

Management of the Experimental Reimbursable Seeding Operations Trust Fund

(b) (i) **Set a timeline to implement the resolution of its Governing Council in identifying a suitable partner to run the Experimental Reimbursable Seeding Operations Trust Fund and draw up comprehensive terms of reference for adequate operations and risk management; (ii) set up and document a clear monitoring and assurance framework for the use and accountability of the Experimental Reimbursable Seeding Operations funds; and (iii) closely follow up the repayment from each borrower and adhere to the repayment schedule;**

Overdue unliquidated obligations

(c) **Prioritize and expedite the process of data cleansing so that IPSAS opening balances are finalized well in advance for the preparation of dry-run financial statements.**

A. Mandate, scope and methodology

1. The United Nations Human Settlements Programme (UN-Habitat) is mandated to promote socially and environmentally sustainable towns and cities, with the goal of providing adequate shelter for all. Its headquarters is in Nairobi but it has a global presence, with four main regional offices covering Africa, the Arab States, Asia and the Pacific and Latin America and the Caribbean; liaison and information offices in New York, Brussels, Geneva, Moscow, Beijing, Chennai (India), Amman and Budapest; and project offices in many other countries and cities across the globe. The United Nations Office at Nairobi provides administrative and financial services for UN-Habitat, including human resources, procurement and information technology services.

2. The Board of Auditors has audited the financial statements of UN-Habitat and has reviewed its operations for the financial period ended 31 December 2013 in accordance with General Assembly resolution 74 (I) of 1964. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UN-Habitat as at 31 December 2013 and its financial performance and cash flows for the financial period, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purpose approved by the governing bodies, and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules. The audit included a general review of the financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. The audit also covered a review of the Programme's operations under financial regulation 7.5, which includes an evaluation of the effectiveness and efficiency of the financial procedures, an evaluation of the internal controls and a review of the accounting system and administration of UN-Habitat.

5. During the course of the audit, the Board visited the Programme's headquarters in Nairobi and examined field operations in the country offices in Afghanistan, Kenya, Nigeria, Somalia and the Sudan.

6. The Board's observations and conclusions were discussed with UN-Habitat management and where appropriate, its views have been reflected in the report.

B. Findings and recommendations

1. Follow-up of previous recommendations

7. The Board issued 16 recommendations for the biennium 2010-2011. Nine (56 per cent) had been fully implemented, four (25 per cent) were under

implementation, two (13 per cent) had not been implemented and one (6 per cent) had been overtaken by events. Details of the status of implementation of these recommendations are shown in the annex to the present report.

8. The two recommendations that had not been implemented required the Department of Management of the Secretariat to introduce procedures that were sufficient to mitigate exchange rate risks and losses, and a decision to set up specific arrangement for funding UN-Habitat's liabilities for end-of-service and post-retirement benefits. The Board acknowledges the efforts of UN-Habitat in responding to the concerns previously raised.

9. The recommendation overtaken by events related to the enhancement of disclosures in UN-Habitat's financial statements by stating the value of negative entries caused by the cancellation of obligations created in previous periods. The adoption of the International Public Sector Accounting Standards (IPSAS) overtakes this recommendation.

2. Financial overview

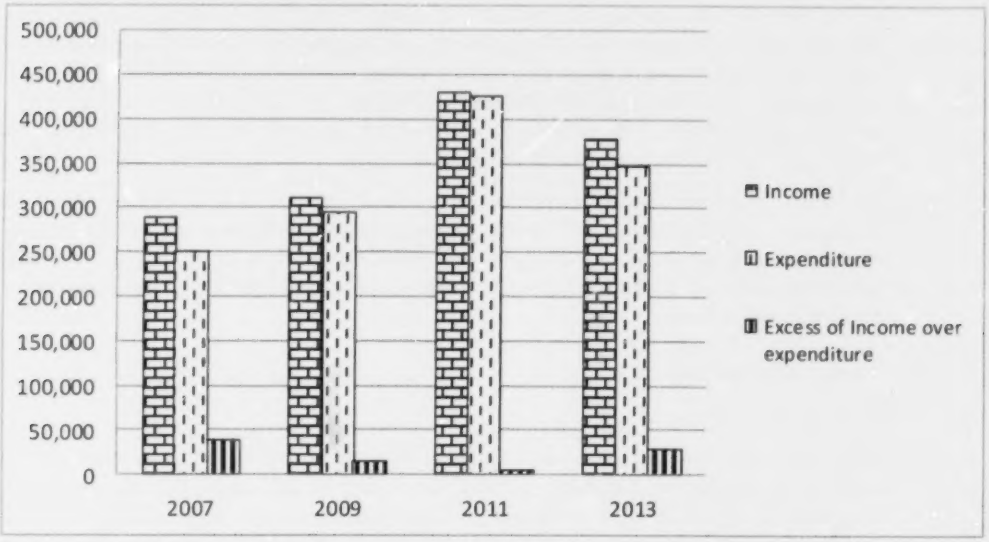
Income and expenditure

10. Total income for the period under review amounted to $378 million, while total expenditure was $348.6 million, resulting in an excess of income over expenditure of $29.4 million. Voluntary contributions amounted to $325.9 million, representing 86 per cent of the total income. However, voluntary contributions decreased by $72.5 million, or 18.2 per cent, compared with 2010-2011 contributions of $398.4 million. Of the voluntary contributions, $102.5 million was for Human Settlements Foundation contributions (for policy and normative work), compared with $104.7 million for the biennium ended 31 December 2011, representing a decrease of $2.2 million; while contributions for technical cooperation (for project execution in individual countries) amounted to $223.4 million.

11. The Board also noted that the earmarked Foundation funds and one trust fund increased by $6.6 million from the biennium ended 2010-2011 to $65.2 million in 2012-2013, but at a decreasing rate. On the other hand, non-earmarked Foundation funds for the bienniums 2010-2011 and 2012-2013 decreased by 11 per cent and 43 per cent respectively. Similarly, in the biennium 2012-2013, the technical cooperation trust fund decreased, but at a slower rate of 24 per cent (see figure below). UN-Habitat attributed the reduction in donor contributions to economic crisis.

12. Total expenditure also decreased, by $78.2 million (18.3 per cent); as a result, the excess of income over expenditure increased by $25 million from $4 million in the biennium 2010-2011 to $29 million in the current biennium. The excess of income over expenditure has been declining steadily since 2006-2007, but rose in the biennium 2012-2013 (see figure below).

Figure
Trend in excess of income over expenditure
(Thousands of United States dollars)



Source: UN-Habitat financial statements for the bienniums ended 2007, 2009, 2011 and 2013.

13. The Board is concerned about the decreasing trend in voluntary contributions for non-earmarked Foundation and technical cooperation trust funds, which are crucial for the sustainability and operations of UN-Habitat. The Board did not observe a significant impact on the programme activities as result of this trend, but considers that UN-Habitat needs to continue monitoring its resource mobilization strategy, developed to boost its income, in order to avoid possible effects in the future.

14. **UN-Habitat agreed with the Board's recommendation that it continue monitoring its resource mobilization strategy to reverse the funding trend in order to secure the future delivery of its core mandate.**

Assets and liabilities

15. Total assets at the end of the period under review amounted to $269.3 million, while total liabilities amounted to $112.5 million. Compared with the previous financial period, assets rose by $7.2 million or 2.7 per cent, while liabilities decreased by $22.4 million, or 16.6 per cent. As at 31 December 2013, liabilities were 41.8 per cent of assets, indicating a healthy financial position. The liabilities have remained at or around half the value of the entity's assets for the past two bienniums, indicating its ability to meet its financial commitments in each biennium.

16. UN-Habitat had $207 million in cash at the end of the biennium, of which $196.9 million was invested in the cash pool managed by United Nations Headquarters. The total balance represents a decrease of 9.3 per cent over the balance of $228.3 million held at 31 December 2011.

Ratio analysis/financial indicators

17. The Board notes that the cash-to-total-assets ratio decreased from 87 per cent in 2010-2011 to 77 per cent in 2012-2013, indicating the Programme's drop in immediate cash, attributed mostly to the economic crisis in the donor countries. The cash-to-liabilities ratio increased slightly from the biennium 2010-2011, indicating that for every dollar of debt, the Programme has $1.84 (2010-2011: $1.69) in liquid assets to settle such debts as they fall due. The assets-to-liabilities ratio shows that UN-Habitat had $2.39 (2010-2011: $1.94) in short-term resources to service each dollar of current debt. This is a good liquidity ratio compared with the acceptable standard of 1.5:1. This information was extracted from the statements of assets, liabilities, reserves and fund balances and is further summarized in the table below.

Table
Ratios as key financial liquidity indicators
(Millions of United States dollars)

Ratio	*Biennium 2010-2011*	*Biennium 2012-2013*	*Amounts of 2013 ratios*
Cash/total assets[a]	0.87:1	0.77:1	206 997/269 336
Cash/liabilities[b]	1.69:1	1.84:1	20 997/112 497
Assets/liabilities[c]	1.94:1	2.39:1	269 336/112 497

Source: UN-Habitat financial statements.
[a] A high indicator depicts a healthy financial position.
[b] A low indicator is a reflection that insufficient cash is available to settle debt.
[c] A high indicator is a reflection of sufficient assets to cover liabilities.

3. Implementation of the International Public Sector Accounting Standards

18. With effect from 1 January 2014, UN-Habitat migrated from the United Nations system accounting standards to IPSAS. United Nations Headquarters instructed UN-Habitat to ensure that by 1 January 2014 there were adequate preparations, including a proper action plan to facilitate a smooth migration to IPSAS.

19. The Board reviewed UN-Habitat's latest project management tool activity log (IPSAS implementation tracking worksheet), of 1 March 2014, to assess progress towards implementation of IPSAS. Most of the planned activities were on track, but two are lagging behind; further work is therefore needed to complete the preparation of IPSAS-compliant opening balances.

20. The letter from United Nations Headquarters of 1 January 2014 required UN-Habitat to have completed the IPSAS opening balances preparation exercise by 31 March 2014 and to make a formal submission on 18 April 2014. Those deadlines were missed. In May 2014, the Board noted that the United Nations Office at Nairobi was still cleansing the data to be used for IPSAS opening balances.

21. The other key activity where progress was slow was unliquidated obligation balances. The Board noted that, as at 30 April 2014, unliquidated obligation balances amounting to $27.6 million had not yet been inspected. This represents 64 per cent of the total unliquidated obligation balances of $43.0 million that were scheduled to have been completed by 31 March 2014.

22. **UN-Habitat agreed with the Board's recommendation that it implement activities to prioritize and expedite the process of data cleansing so that IPSAS opening balances are finalized well in advance for the preparation of dry-run financial statements.**

4. Governance, accountability and risk management

Non-implementation of results-based management

23. The Governing Council of UN-Habitat adopted resolutions 21/2 of April 2007 and 24/1 of April 2013 requiring the administration to continue implementing a results-based management policy. As results-based management is intended to form the basis for evaluating and reporting on the organization's performance and is also used as a tool for evaluating the performance of individual managers and staff, it needs a comprehensive framework for users to follow. However, at the time of audit, the results-based management policy framework was still in draft form.

24. While planning for its new strategic plan for the period 2014-2019, there is a need for UN-Habitat to finalize its results-based management policy and to develop an implementation manual that strengthens the monitoring, evaluation and reporting functions, as well as complying with the Governing Council directives. The Board was informed that UN-Habitat is in the process of finalizing the implementation manual.

25. **UN-Habitat agreed with the Board's recommendation that in advance of its next strategic plan for 2014-2019, it develop a results-based management policy, with a clear implementation manual that provides procedures for performance monitoring, evaluation and reporting.**

5. Financial management

Budgetary controls

26. The Board reviewed the project budget implementation process in the Integrated Management Information System (IMIS) for all 1,039 projects for the biennium under review. This revealed that 44 projects recorded a total expenditure of $25.38 million against the budgeted amount of $22.61 million, resulting in a budget overrun of $2.77 million; and as at 31 December 2013, there were 50 projects with zero and negative allotments in the system but reporting a total expenditure of $5.27 million.

27. Regulation 5.9 of the 2003 Financial Regulations and Rules of the United Nations requires expenditure to be incurred only after allotments or other appropriate authorizations are in place. This was not observed in the 94 projects noted. The Board considers that UN-Habitat lacks robust mechanisms for monitoring and managing the budget implementation of projects.

28. UN-Habitat explained that it normally monitors the budget performance on a monthly basis and that the IMIS controls that restrict expenditure on items without budget allocations are not working effectively, especially in respect of project funds. The Board found that this weakness resulted in the overspending amounting to $8.04 million (2012-2013). There is a need to communicate with United Nations Headquarters to help to address the budgetary control gaps in IMIS if this is considered to be cost-effective in the view of the new United Nations enterprise resource planning system (Umoja) roll-out.

29. **UN-Habitat agreed with the Board's recommendation that it improve its monitoring of project budget implementation by (a) establishing adequate authorization controls over the use of project funds for proper redeployments; and (b) maintaining liaison with United Nations Headquarters to address the budgetary control gaps in IMIS.**

Long-outstanding unliquidated obligations

30. Regulation 5.3 of the 2003 Financial Regulations and Rules of the United Nations requires an appropriation to be set forth for the obligations that remain open for 12 months after the end of the period in which they were created. In addition, regulation 5.4 of the Regulations and Rules requires the balance of any appropriation that remains at the end of the 12-month period to be surrendered.

31. UN-Habitat had total unliquidated obligations of $43.03 million at 31 December 2013. Of these, obligations of $2.31 million (5 per cent) were created in the system between 2007 and 2011 but had not been liquidated, cancelled, closed or reobligated, as required by regulation 5.4 of the Financial Regulations and Rules.

32. UN-Habitat explained that most of the unliquidated obligations had actually been liquidated but not cleared in IMIS because of a procedure that depends on the submission of an inter-organizational voucher from other United Nations agencies. The procedure is lengthy and substantially delays the accounting for project expenditures in UN-Habitat field locations and the liquidation of the respective obligations since it involves the services of other United Nations agencies headquarters.

33. The Board is of the view that untimely clearance of the unliquidated obligations in IMIS results in incorrect unliquidated obligation balances and consequently overstates the balances reported in the UN-Habitat financial statements.

34. **UN-Habitat agreed with the Board's recommendation that it (a) follow up with the United Nations agencies for timely submission of the inter-organizational vouchers; and (b) clear all the outstanding unliquidated obligations after the end of the period in which they were created.**

Management of the Experimental Reimbursable Seeding Operations Trust Fund

35. At its twenty-first session, held from 16 to 20 April 2007, the UN-Habitat Governing Council adopted resolution 21/10 to establish an Experimental Reimbursable Seeding Operations Trust Fund. Total funding of the Experimental Reimbursable Seeding Operations as at 31 December 2013 was $3.65 million. The Trust Fund started disbursing funds to five selected countries between October 2009 and April 2010, with the objective of improving the lives of at least 100 million slum dwellers by 2020, and expected a return of $3.04 million by March 2030. During the Fund's operations in the four-year experimental pilot period, 2007-2011, a sum of $2.75 million was disbursed to four of the five selected countries.

36. The Board noted that, by December 2013, out of the four countries to which disbursements had been made, only one had liquidated its obligation according to the loan agreement. The other three countries had not liquidated their obligation of $37,518, contrary to clause 6.1 of the loans agreements.

37. At its twenty-third session, held in 2011, the UN-Habitat Governing Council directed management to avoid direct involvement in the day-to-day management of the Trust Fund for reasons of lack of internal capacity and skills to administer loans programmes. UN-Habitat was therefore advised by the Governing Council at its twenty-first session, held in 2007, to find an appropriate external financial partner to manage the Trust Fund. The partner's functions would include lending and extending financial advisory services in the urban and housing finance sector. Nevertheless, at the time of audit (May 2013), UN-Habitat had not yet identified the required external development financial partner.

38. Additionally, the Trust Fund has no adequate plans and procedures to manage financial risks that might arise from the fluctuation of exchange rates against local transacting currencies. Also, there was no evidence of the existence of mechanisms for UN-Habitat to monitor and obtain assurance that the disbursed loans are being used for the intended purposes.

39. **UN-Habitat agreed with the Board's recommendation that it (a) set a timeline to implement the resolution of its Governing Council in identifying a suitable partner to run the Experimental Reimbursable Seeding Operations Trust Fund and draw up comprehensive terms of reference for adequate operations and risk management; (b) set up and document a clear monitoring and assurance framework for the use and accountability of Experimental Reimbursable Seeding Operations funds; and (c) closely follow up the repayment from each borrower and ensure they adhere to the repayment schedule.**

6. Cost-effective management of core business services

Procurement management

40. According to chapter 12.10, paragraph 2 of the United Nations Procurement Manual, ex post facto cases may be accepted under exceptional circumstances, provided that all procurement procedures have been followed. The paragraph also states that ex post facto cases should be rare exceptions and when they occur, justification should be provided.

41. The "Basis of award report", which contains all the procurements made within the biennium along with the procurement method used, for the period from January to September 2013, showed that 51 ex post facto procurement cases out of 291 cases amounting to $1.03 million (which is equivalent to 9.4 per cent of total procurements of $10.88 million for the biennium) were not justified. The Board is of the view that the number and value of ex post facto cases were high owing to inadequate procurement planning and misuse of the ex post facto clause. The use of ex post facto cases creates a risk of non-compliance with procurement rules. Further, UN-Habitat may enter into or extend contracts that do not provide value for money.

42. **UN-Habitat agreed with the Board's recommendation that it comply with the United Nations Procurement Manual and that it use a competitive procurement process wherever possible. Where UN-Habitat has to use the ex post facto process, the reasons for doing so should be documented and approval secured from the local committee on contracts.**

Consultancy for hiring project staff

43. After the October 2009 Taliban attack on the Kabul Serena Hotel and the killing of five United Nations employees, the United Nations Department of Safety and Security developed Minimum Operating Security Standards (MOSS) for reducing the number of officers in Afghanistan working under United Nations contracts. Under the MOSS procedures, most of UN-Habitat's national project staff are now under non-United Nations contracts.

44. On 1 October 2010, the UN-Habitat Regional Office for Asia and the Pacific entered into a contract agreement with a private company for the hiring of staff, following the implementation of MOSS in the area. The initial contract period was one year, with an option to extend to two years, and provision for the payment of administration fees of 15.5 per cent of the gross salaries of contracted employees (up to a maximum fee of $1.3 million per year). The Board found the following deficiencies in the arrangements:

(a) The vendor had been providing services to UN-Habitat since October 2010 without being registered in accordance with the United Nations Procurement Manual, which requires vendor registration to be completed by the United Nations Procurement Division in New York. The Manual also requires vendors to submit their registration applications through the United Nations Global Marketplace for review by the Procurement Division before awarding the contract;

(b) The terms of contract with the vendor had expired on 30 September 2012 and in February 2013, the United Nations at Nairobi extended the contract to 30 June 2013 at a reduced cost of 12.5 per cent without inviting competitive bids; therefore, the services were rendered for four months without any formal contract;

(c) The initial acquisition of the vendor was not properly done;

(d) UN-Habitat was not satisfied with its services but did not submit the contractor's past performance evaluation reports to the Board for audit verification.

45. UN-Habitat informed the Board that the vendor was acquired by the United Nations at Nairobi and that the latter extended the contract period without UN-Habitat's involvement. The Board is concerned that contract extension without inviting competitive bidding increases the risk of retaining a vendor that is delivering poor performance. Furthermore, the extension may not provide best value for money.

46. **UN-Habitat agreed with the Board's recommendation that it (a) monitor all United Nations at Nairobi contract management activities where it is a main beneficiary by ensuring, where appropriate, that competitive bidding procedures are used before awarding any consultancy contracts; and (b) enforce the registration requirement for all selected consultants.**

Assets entrusted to non-United Nations staff

47. UN-Habitat field offices use the logistics and finance service of the United Nations Development Programme (UNDP) under a global memorandum of understanding. The Board noted that UN-Habitat field offices in the Sudan do not have bank accounts and, therefore, UN-Habitat directed UNDP to deposit project funds into the personal bank accounts of team leaders of the field offices for various project activities. In one case in 2012, the team leader at one of the country offices was advanced a total of $134,000 during the year.

48. The Board noted that team leaders are also entrusted with other assets such as motor vehicles. However, upon sampling three out of four service contracts signed between the subscribers (team leaders) and UNDP on behalf of UN-Habitat, the Board found a disclaimer statement that the subscriber (non-United Nations staff team leader) whom UN-Habitat uses in its field offices is not recognized as either a staff member or an official of the United Nations. The Board noted that the Sudan country office had started converting team leaders' service to fixed-term staff based on availability of funds, but the exercise was not yet completed.

49. UN-Habitat informed the Board that it had directed UNDP to deposit project funds into the personal bank account of team leaders in field offices and to entrust assets to non-United Nations staff because neither UN-Habitat nor UNDP staff are present in the field. The Board is concerned that the current procedure of advancing funds to team leaders and entrusting assets in this way increases the risk of misuse and loss to UN-Habitat, in particular since the service contracts do not have any clause for recovery of resources entrusted to the team leaders in the event of any misappropriation.

50. UN-Habitat agreed with the Board's recommendation that it introduce cost-effective mitigation procedures such as opening official bank accounts and including penalty/recovery clauses in the contracts with team leaders.

C. Disclosures by management

51. UN-Habitat made the following disclosures relating to write-offs, ex gratia payments and cases of fraud and presumptive fraud which, in our view, are not significant.

1. Write-off of cash, receivables and property

52. The administration informed the Board that, in accordance with financial rule 106.8, losses of cash and receivables amounting to $27,101 were written off during 2012-2013. In accordance with financial rule 106.9, losses amounting to $380,544 were also written off in respect of non-expendable properties.

2. Ex gratia payments

53. There were no ex gratia payments for the period under review.

3. Cases of fraud and presumptive fraud

54. Only one case of fraud was reported involving corrupt procurement practice and the award of a contract to vendors related to the staff member. The case value is $243,233. The case is still under investigation by the Office of Internal Oversight Services (OIOS).

D. Acknowledgement

55. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and staff members of the United Nations Human Settlements Programme.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the
United Republic of Tanzania
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor General of China

30 June 2014

Annex

Status of implementation of recommendations for the biennium ended 31 December 2011

No.	Summary of recommendation	Paragraph reference in report (A/67/5/Add.8, chap. II)	First reported	Status of implementation			
				Implemented	Under implementation	Not implemented	Overtaken by events
1.	Review the costs and benefits of introducing procedures to mitigate exchange rate risks and losses. In coordination with the United Nations Office at Nairobi, and subject to guidance from United Nations Headquarters, this could include commercially available solutions	24	2010-2011			X	
2.	Request the United Nations Office at Nairobi to enhance the disclosures within its future financial statements by inserting a footnote to statement I stating the value of negative entries caused by the cancellation of obligations created in previous periods for projects that remain ongoing	29	2010-2011				X
3.	Set up specific arrangements to fund its liabilities for end-of-service and post-retirement benefits, for consideration and approval by its Governing Council and the General Assembly	36	2010-2011			X	
4.	UN-Habitat and the United Nations Office at Nairobi investigate all unsupported balances within its ledgers and take steps to cleanse the ledgers of these balances through appropriate write-offs	39	2010-2011		X		
5.	UN-Habitat, with the United Nations Office at Nairobi, strengthen the controls for the capture and recording of its assets, ascertaining the reasons why assets with a combined purchase cost of $1.88 million were omitted from its asset registers during the biennium and taking steps to address accounting and control weaknesses	42	2010-2011	X			
6.	Establish a simple organization-wide risk management approach, building on its initial work and existing reporting arrangements, and aligned with recent United Nations Headquarters developments during 2012	45	2010-2011		X		
7.	(a) Require requisitioners to channel through the Procurement Section all procurement requirements that fall under the procurement delegation of the United Nations Office at Nairobi, so that only the Procurement Section of that Office creates commitments to vendors; (b) review reports on its use of waivers and ex post facto approvals, to assure itself that their use is justified; and (c) where there is evidence that a waiver or ex post facto was not appropriate, take action to prevent it happening in future	51	2010-2011	X			

No.	Summary of recommendation	Paragraph reference in report (A/67/5/Add.8, chap. II)	First reported	Status of implementation				
				Implemented	Under implementation	Not implemented	Overtaken by events	
8.	UN-Habitat and the United Nations Office at Nairobi agree on a detailed and costed delivery plan that covers all aspects of IPSAS implementation, setting out the key milestones to be achieved from the present time until the delivery of the first set of IPSAS-compliant financial statements in 2014	57	2010-2011		X			
9.	Clarify its plan for funding its implementation of IPSAS	59	2010-2011		X			
10.	(a) Urgently develop a detailed plan for implementation of changes necessary to allow programme development and performance management to be aligned to its new strategic themes, including time scales, milestones for the implementation of key changes, details of performance reporting arrangements and likely resource implications; and (b) communicate the plan to staff so they understand the changes and in turn communicate effectively with stakeholders	63	2010-2011		X			
11.	Enhance its performance reports by December 2012 to include (a) an assessment of actual against expected expenditure at both project level and programme levels; and (b) explanation of variances in terms of both utilization rates and performance against targets	68	2010-2011		X			
12.	(a) Verify that evidence to support reported performance is robust; and (b) given the number of activities that support its reported performance, consider adopting a sample-based verification process	69	2010-2011			X		
13.	When developing its new strategic plan, UN-Habitat make better use of existing data to set robust, realistic and measurable performance indicators that are sufficiently challenging and minimize the need for detailed explanation for stakeholders	70	2010-2011		X			
14.	Urgently share with United Nations Headquarters its proposal and specifications for a project accounting and accruals system, to determine whether and how it should be integrated with Umoja	74	2010-2011		X			
15.	Senior Management Committee regularly review, at least every six months, performance and progress against the biennial work programme and budget, documenting its review and the actions to be taken	77	2010-2011			X		
16.	Determine the best way to both gather and disseminate learning from project evaluations	81	2010-2011		X			
	Total			**16**	**9**	**4**	**2**	**1**
	Percentages			**100**	**56**	**25**	**13**	**6**

Chapter III
Certification of the financial statements

Letter dated 31 March 2014 from the Chief Finance Officer of the United Nations Office at Nairobi addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Human Settlements Programme for the biennium ended 31 December 2013 have been prepared in accordance with financial rule 106.10 of the United Nations and financial rule 306.10 of the United Nations Habitat and Human Settlements Foundation.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes, and the accompanying schedules, provide additional information and clarification of the financial activities undertaken by the United Nations Human Settlements Programme during the period covered by these statements.

The certification function defined in financial rules 105.5 and 105.7 to 105.9 of the United Nations is assigned to the United Nations Human Settlements Programme. Responsibility for the accounts and the performance of the approving function, as defined in article VI and financial rule 105.6 of the Financial Regulations and Rules of the United Nations, is assigned to the United Nations Office at Nairobi.

In accordance with the authority assigned to me, I hereby certify that the appended financial statements of the United Nations Human Settlements Programme for the biennium ended 31 December 2013 are correct.

(*Signed*) Christopher **Kirkcaldy**
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV

Administration's financial overview for the biennium ended 31 December 2013

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the financial statements of the United Nations Human Settlements Programme, including associated trust funds and other related accounts, for the biennium ended 31 December 2013. The financial statements consist of eight statements supported by four schedules and notes to the financial statements. In accordance with financial rule 106.1, the accounts were transmitted to the Board of Auditors on 31 March 2014.

2. Comparative data for the biennium ended 31 December 2011, as appropriate, have been reflected in the financial statements. These have been restated where applicable.

3. In conformity with United Nations Secretariat reporting requirements:

(a) The inter-fund balances are not offset;

(b) The accounts receivable and accounts payable are reported without offsetting;

(c) Accrued liabilities for end-of-service benefits, comprising after-service health insurance, annual leave and repatriation benefits, are presented as liabilities in the accounts.

4. Regular budget funding, insofar as it relates to the United Nations Human Settlements Programme, is included within the financial statements as well as in the notes. Details of regular budget allocations and expenditure are shown on statements I and II and in note 16.

5. The financial statements and schedules, as well as the notes thereon, are an integral part of the financial report.

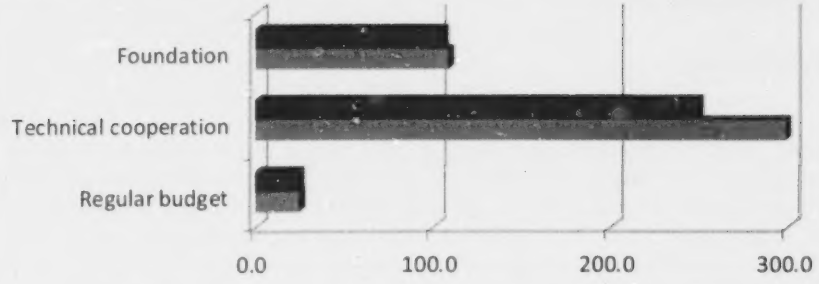
B. Overview

6. Statements I to III show the combined financial position of UN-Habitat for the biennium ended 31 December 2013 compared to the biennium ended 31 December 2011.

6.1. Total income decreased by $52.9 million (12.3 per cent) to $378.0 million; the Programme's resource mobilization strategy launched by the Governing Council in 2013 has started to yield results; the 2013 income of $206.5 million is 20 per cent higher than the 2012 income of $171.5 million.

6.2. The following chart shows the Programme's income by major funding categories for the biennium ended 31 December 2013 compared to the biennium ended 31 December 2011.

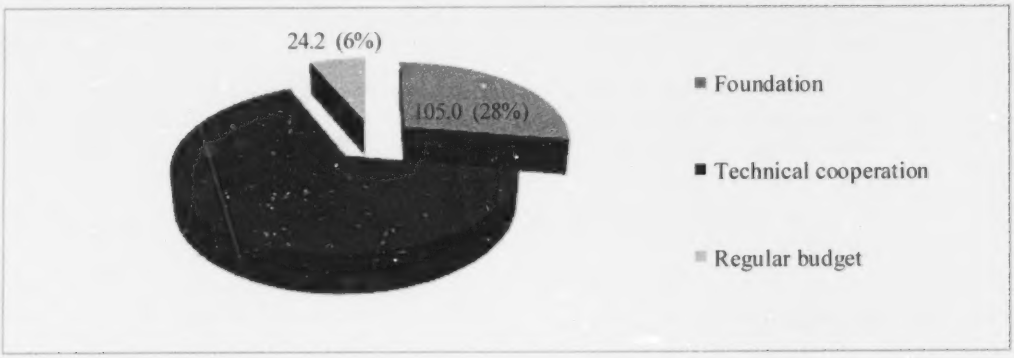
(Millions of United States dollars)



	Regular budget	Technical cooperation	Foundation
2013	24.2	248.9	105.0
2011	24.7	298.1	108.3

6.3. The following chart shows the Programme's income for the biennium ended 31 December 2013 by funding sources categories.

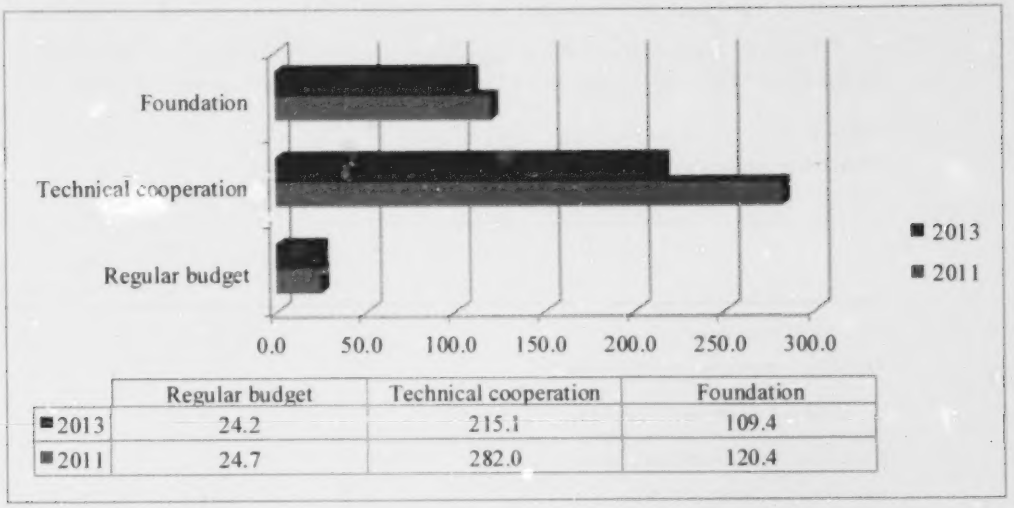
(Millions of United States dollars)



6.4. Total expenditure decreased by $78.2 million (18.3 per cent) to $348.6 million.

6.5. The following is a comparison of expenditure by major source of funding categories between the years ended 31 December 2011 and 2013.

(Millions of United States dollars)



	Regular budget	Technical cooperation	Foundation
2013	24.2	215.1	109.4
2011	24.7	282.0	120.4

6.6. Expenditure for the biennium ended 31 December 2013 by nature of expense is shown below:

(Millions of United States dollars)

6.7. The excess of income over expenditure before adjustments for the period ended 31 December 2013 was $29.4 million, an increase of $25.4 million over the period ended 31 December 2011.

6.8. The excess of income over expenditure was decreased by adjustments, including end-of-service and post-retirement benefits accrual of $0.6 million, and increased by other adjustments of $0.3 million, which include prior-period adjustments, savings on prior-period obligations, and refunds to donors, resulting in an increase during the period of total reserves and fund balances by $29.6 million (23.2 per cent) to $156.8 million.

6.9. The cash position (cash and term deposits, cash pools) as at 31 December 2013 decreased by $21.3 million (9.3 per cent) to $207.0 million.

6.10. Total assets increased by $7.2 million (2.7 per cent) to $269.3 million.

6.11. Total liabilities decreased by $22.4 million (16.6 per cent) to $112.5 million.

7. Table IV.1 summarizes other key indicators for UN-Habitat for the biennium ended 31 December 2013 compared to the biennium ended 31 December 2011.

Table IV.1
Other key indicators
(Millions of United States dollars)

	Amount			
	2013	*2011*	*Increase (decrease)*	*Change (percentage)*
Foundation contributions	102.5	104.7	(2.2)	(2.1)
Technical cooperation contributions	223.4	293.7	(70.3)	(23.9)
Total voluntary contributions	**325.9**	**398.4**	**(72.5)**	**(18.2)**
Cash, term deposits and cash pools	207.0	228.3	(21.3)	(9.3)
Inter-fund balances receivable	17.2	18.4	(1.2)	(6.5)
Accounts receivable	13.0	7.0	6.0	85.7
Other assets	21.4	1.7	19.7	1158.8
Unliquidated obligations	43.4	84.8	(41.4)	(48.8)
Inter-fund balances payable	18.2	19.9	(1.7)	(8.5)
End-of-service and post-retirement benefits	24.7	23.3	1.4	6.0
Other liabilities	20.1	2.9	17.2	593.1
Reserves and fund balances (Foundation)	72.6	75.1	(2.5)	(3.3)
Reserves and fund balances (technical cooperation)	103.9	71.6	32.3	45.1
Reserves and fund balances (end-of-service and post-retirement benefits)	(19.6)	(19.5)	(0.1)	0.5
Total reserves and fund balances	**156.9**	**127.2**	**29.7**	**23.3**

7.1. The decrease in inter-fund balances is related to the timing of settlement of inter-fund balances to the United Nations Office at Nairobi, which is responsible for disbursements.

7.2. The increase in accounts receivable, the details of which are found in note 8, is due primarily to the full implementation of a change in an accounting policy, in the period ended 31 December 2011, recording as receivables, advances given to implementing agencies. These advances were previously treated as disbursements, which reduced related unliquidated obligation amounts. Given the timing of implementation and the impracticality of obtaining comparative figures, the period ended 31 December 2011 was understated for activities carried before the change.

7.3. The advances pose a minimal risk because they are covered by legal agreements which are closely monitored by UN-Habitat to ensure that partners deliver outputs according to the conditions of the agreements.

Agreed outputs are verified at each milestone, in line with payment schedules, before new amounts are advanced to partners, and final instalments are not paid until outputs are verified and a final project report and a certified financial statement are provided and reviewed.

7.4. Implementing partner agreement dates coincide with project timelines, not with the UN-Habitat financial biennium. As projects can start at any time of the biennium and have variable durations, which can exceed a calendar biennium, these receivables are inevitable.

7.5. UN-Habitat is enhancing measures to improve the monitoring of these agreements through its project accrual and accountability system, and is currently undertaking a review of implementing partner agreements for better accountability, transparency and management of partnerships.

7.6. The increase in other assets includes $20.1 million of commitments against future years. The corresponding effect is shown under other liabilities. Before the period ending 31 December 2011, UN-Habitat did not record future year commitments.

7.7. The decrease in unliquidated obligations reflects the Programme's improved management of obligation documents by ensuring that future year obligations are correctly reflected.

7.8. The rate of reductions in some key indicators, such as contributions, cash, reserves and fund balances, is not sustainable long-term. UN-Habitat management is aware of this financial situation and is taking steps to contain expenditure in line with income.

7.9. UN-Habitat has undertaken a major organizational review to align the organization's structure with its strategic themes to respond more effectively to global urban priorities. The review also established systems, policies and processes to enhance efficiency, productivity, accountability and transparency, and to "do more with less". In addition, UN-Habitat has finalized a strengthened resource mobilization strategy aimed at achieving a higher level of predictable funding for core activities and increasing the value of the agency's project portfolio. By 2013, the level of income earmarked for the project portfolio had increased. In 2013 the level of earmarked income was $185.4 million, which was 25.4 per cent higher than the 2012 level of $147.8 million.

7.10. The policy framework established as part of the organizational review in 2013 includes a revised cost allocation and recovery policy that is harmonized with that of other United Nations agencies. Since 2013, operationalization of the policy has been supported by tools such as time sheet recording to enable more accurate allocation of costs to projects and cost centres.

C. Foundation activities

8. The Governing Council, in its resolution 23/11 of 15 April 2011, approved the general purpose budget of $70.2 million and endorsed the special-purpose budget of $110.5 million for the biennium 2012-2013, resulting in a total budget amount of

$180.7 million for the biennium. The Governing Council also approved an increase in the general-purpose statutory reserve from $6.6 million to $7.0 million. In addition, the Governing Council authorized the Executive Director, in the event of a shortfall or a surplus in income, to adjust, in consultation with the Committee of Permanent Representatives, the level of allocations for programme activities in accordance with the actual level of income. The Governing Council also authorized the Executive Director to reallocate general-purpose resources between subprogrammes in an amount of up to 10 per cent of the total general-purpose budget. The Governing Council further authorized the Executive Director to reallocate, in consultation with the Committee of Permanent Representatives, amounts in excess of 10 per cent and up to 25 per cent of the total general-purpose budget.

9. UN-Habitat received pledges for its Foundation activities of $102.5 million for the biennium ended 31 December 2013 as compared to $104.7 million for the biennium ended 31 December 2011, a decrease of $2.2 million (2.1 per cent).

10. The Foundation general purpose has been affected by the global economic downturn. To respond to the current shortage of core funds, UN-Habitat started implementing austerity measures in 2011, including a recruitment freeze on core-funded posts and significant reductions in travel, consultancies and operating costs.

11. Expenditure for Foundation activities of $115.4 million, before the elimination of programme support costs of $6.0 million, is within the budget allocation of $176.1 million approved by the Executive Director based on the total amount approved by the Governing Council, as outlined in paragraph 8 above, but exceeds the total income received before elimination of programme support of $111.0 million.

D. Technical cooperation activities

12. UN-Habitat received contributions for its technical cooperation activities of $223.4 million for the biennium ended 31 December 2013 as compared to $293.7 million for the biennium ended 31 December 2011, a decrease of $70.3 million (24.0 per cent). The agency's strategy to reach a higher level of contributions for technical cooperation activities showed positive results, with contributions rising by 24 per cent from $99.6 million in 2012 to $123.8 million in 2013.

13. Expenditure in the amount of $228.7 million, before elimination of programme support costs of $13.6 million, is within the budget allocation of $341.3 million approved by the Executive Director, but is lower than the total income received before elimination of programme support of $262.5 million.

E. End-of-service and post-retirement benefits

14. UN-Habitat fully accrues for the end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, annual leave and repatriation benefits. The Programme has been funding repatriation benefits at 8 per cent of net salary, but after-service health insurance and annual leave are not funded, as these are paid on a pay-as-you-go basis from current budgets.

15. The estimated current liabilities as at 31 December 2013, as reflected in the 2013 actuarial study carried out by a consulting firm contracted on behalf of UN-Habitat by the United Nations Secretariat, have been reflected in the accounts. By fully charging these liabilities in the financial statements as at 31 December 2013, an amount of $19.6 million of cumulative unbudgeted expenditure (liabilities less funding) is being shown in statements I and II, a small increase from the amount reported as at 31 December 2011 of $19.5 million. The details are disclosed statement VIII and note 13 to the financial statements.

Chapter V

Financial statements and related explanatory notes for the biennium ended 31 December 2013

United Nations Human Settlements Programme

I. Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2013

All funds summary

(Thousands of United States dollars)

	Reference	Foundation	Technical cooperation	End-of-service and post-retirement benefits	Regular budget	All funds eliminations	Total 2013	Total 2011
Income								
Regular budget allocations	Note 16	–	–	–	24 192	–	24 192	24 677
Voluntary contributions	Schedules 5.2 and 7.2	102 487	223 403	–	–	–	325 890	398 396
Funds received under inter-organization arrangements	Notes 2 k (ii) and t (iii)	–	23 122	–	–	–	23 122	405
Interest income		1 323	1 458	–	–	–	2 781	7 223
Miscellaneous income	Note 3	1 239	872	–	–	(89)	2 022	167
Total income		**105 049**	**248 855**	**–**	**24 192**	**(89)**	**378 007**	**430 868**
Expenditure								
Staff and other personnel costs		63 804	80 224	–	21 263	–	165 291	177 467
Contractual services		19 890	56 882	–	335	–	77 107	103 579
Travel		7 608	6 664	–	109	(89)	14 292	13 530
Operating expenses		16 682	23 077	–	1 937	–	41 696	57 962
Acquisitions		1 392	10 636	–	–	–	12 028	14 760
Fellowships, grants and contributions		61	37 605	–	548	–	38 214	59 624
Programme support costs		–	14	–	–	–	14	(34)
Total expenditure	Schedules 5.1 and 7.1	**109 437**	**215 102**	**–**	**24 192**	**(89)**	**348 642**	**426 888**
Excess/(shortfall) of income over expenditure		(4 388)	33 753	–	–	–	29 365	3 980
Non-budgeted accrued expenses		–	–	(593)	–	–	(593)	(9 368)
Prior-period adjustments	Note 4	(171)	(807)	–	–	–	(978)	(888)
Net excess/(shortfall) of income over expenditure		**(4 559)**	**32 946**	**(593)**	**–**	**–**	**27 794**	**(6 276)**

United Nations Human Settlements Programme

I. Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2013 (continued)

	Reference	Foundation	Technical cooperation	End-of-service and post-retirement benefits	Regular budget	All funds eliminations	Total 2013	Total 2011
Savings on prior-period obligations	Note 2 (k) (viii)	1 369	1 736	–	–	–	3 105	2 069
Transfer to reserves	Note 2 (o), (p) and (q)	–	–	–	–	–	–	(7 703)
Transfers from/(to) other funds		1 177	(1 177)	–	–	–	–	–
Refunds to member States and other donors	Note 5	(561)	(1 251)	–	–	–	(1 812)	(2 167)
Fund balances, beginning of biennium		63 249	58 300	(19 513)	–	–	102 036	116 113
Fund balances, end of biennium	Note 14	60 675	90 554	(20 106)	–	–	131 123	102 036
Reserves, beginning of biennium		11 895	13 320	–	–	–	25 215	17 514
Transfers to/(from) reserves	Note 2 (o), (p) and (q)	–	–	501	–	–	501	7 701
Reserves, end of biennium	Note 14	11 895	13 320	501	–	–	25 716	25 215
Total reserves and fund balances	Note 14	**72 570**	**103 874**	**(19 605)**	**–**	**–**	**156 839**	**127 251**

United Nations Human Settlements Programme

II. Statement of assets, liabilities, reserves and fund balances as at 31 December 2013

All funds summary

(Thousands of United States dollars)

	Reference	Foundation	Technical cooperation	End-of-service and post-retirement benefits	Regular budget	Total 2013	Total 2011
Assets							
Cash and term deposits	Note 6	4 867	5 201	–	–	10 068	9 709
Cash pools	Note 6	85 168	111 761	–	–	196 929	218 549
Voluntary contributions receivable	Schedule 5.2	80	–	–	–	80	191
Inter-fund balances receivable	Note 7	1 508	10 567	5 082	–	17 157	18 401
Loans and accrued interest receivable	Note 17	1 778	–	–	–	1 778	2 251
Accounts receivable	Note 8	7 190	5 396	–	410	12 996	7 015
Balances relating to projects funded by donors	Note 9	–	8 918	–	–	8 918	4 370
Other assets	Note 10	6 112	15 298	–	–	21 410	1 655
Total assets		**106 703**	**157 141**	**5 082**	**410**	**269 336**	**262 141**
Liabilities							
Payments or contributions received in advance	Schedule 5.2	472	–	–	–	472	11
Unliquidated obligations	Note 11	19 320	23 711	–	410	43 441	84 842
Inter-fund balances payable	Note 7	6 485	11 749	–	–	18 234	19 892
Accounts payable	Note 12	2 186	3 408	–	–	5 594	3 919
End-of-service and post-retirement benefits	Note 13	–	–	24 687	–	24 687	23 292
Other liabilities	Note 10	5 670	14 399	–	–	20 069	2 934
Total liabilities		**34 133**	**53 267**	**24 687**	**410**	**112 497**	**134 890**
Reserves and fund balances							
Reserves	Notes 2 (o), (p), (q) and 14	11 895	13 320	501	–	25 716	25 215
Fund balance	Notes 2 (r) and 14	60 675	90 554	(20 106)	–	131 123	102 036
Total reserves and fund balances		**72 570**	**103 874**	**(19 605)**	**–**	**156 839**	**127 251**
Total liabilities, reserves and fund balances		**106 703**	**157 141**	**5 082**	**410**	**269 336**	**262 141**

United Nations Human Settlements Programme

III. Statement of cash flows for the biennium ended 31 December 2013

All funds summary

(Thousands of United States dollars)

	Reference	Foundation	Technical cooperation	End-of-service and post-retirement benefits	Regular budget	Total 2013	Total 2011
Cash flows from operating activities							
Net excess/(shortfall) of income over expenditure		(4 559)	32 946	(593)	–	27 794	(6 276)
(Increase)/decrease in:							
Contributions receivable		111	–	–	–	111	1 604
Loans and accrued interest receivable		473	–	–	–	473	(2 251)
Accounts receivable		(2 844)	(3 241)	–	104	(5 981)	(936)
Other assets		(5 118)	(14 637)	–	–	(19 755)	(1 169)
Inter-fund balances receivable		4 371	(1 824)	(1 303)	–	1 244	9 185
Balances relating to projects funded by donors		–	(4 548)	–	–	(4 548)	3 302
Increase (decrease) in:							
Contributions or payments received in advance		461	–	–	–	461	1
Unliquidated obligations		(7 701)	(33 596)	–	(104)	(41 401)	9 277
Accounts payable		(220)	1 895	–	–	1 675	(247)
Other liabilities		3 673	13 462	–	–	17 135	2 934
Inter-fund balances payable		(7 344)	5 686	–	–	(1 658)	(8 273)
End-of-service and post-retirement benefits		–	–	1 395	–	1 395	10 443
Less: interest income		(1 323)	(1 458)	–	–	(2 781)	(7 223)
Net cash flows from operating activities		**(20 020)**	**(5 315)**	**(501)**	**–**	**(25 836)**	**10 371**
Cash flows from investing activities							
(Increase)/decrease in cash pools		18 778	2 842	–	–	21 620	(10 823)
Plus: interest income		1 323	1 458	–	–	2 781	7 223
Net cash flows from investing activities		**20 101**	**4 300**	**–**	**–**	**24 401**	**(3 600)**

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III. Statement of cash flows for the biennium ended 31 December 2013 (continued)

	Reference	Foundation	Technical cooperation	End-of-service and post-retirement benefits	Regular budget	Total 2013	Total 2011
Cash flows from financing activities							
Savings on or cancellation of prior-period obligations		1 369	1 736	–	–	3 105	2 069
Refunds to member States and other donors		(561)	(1 251)	–	–	(1 812)	(2 167)
Transfer to/(from) reserves		–	–	501	–	501	(2)
Transfers from/(to) other funds		1 177	(1 177)	–	–	–	–
Net cash flows from financing activities		**1 985**	**(692)**	**501**	**–**	**1 794**	**(100)**
Net increase/(decrease) in cash and term deposits		**2 066**	**(1 707)**	**–**	**–**	**359**	**6 671**
Cash and term deposits, beginning of biennium		2 801	6 908	–	–	9 709	3 038
Cash and term deposits, end of biennium	Note 6	**4 867**	**5 201**	**–**	**–**	**10 068**	**9 709**

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IV. Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2013

Foundation activities

(Thousands of United States dollars)

	Reference	Non-earmarked Foundation	Earmarked Foundation	Water and Sanitation Trust Fund	Palestinian Trust Fund	Experimental Reimbursable Seeding Operations Trust Fund	Programme support	All funds eliminations	Total 2013	Total 2011
Income										
Voluntary contributions	Schedule 5.2	19 479	57 699	17 774	7 535	–	–	–	102 487	104 678
Income for services rendered		–	–	–	–	–	5 958	(5 958)	–	(179)
Interest income		275	567	222	97	79	83	–	1 323	3 473
Miscellaneous income	Note 3	835	384	17	1	–	2	–	1 239	319
Total income		**20 589**	**58 650**	**18 013**	**7 633**	**79**	**6 043**	**(5 958)**	**105 049**	**108 291**
Expenditure										
Staff and other personnel costs		23 754	26 272	6 935	1 582	6	5 255	–	63 804	69 226
Contractual services		918	10 150	4 329	3 868	–	625	–	19 890	20 840
Travel		1 275	4 917	1 282	127	7	–	–	7 608	8 907
Operating expenses		3 034	10 916	1 642	363	62	665	–	16 682	20 093
Acquisitions		118	665	444	147	–	18	–	1 392	878
Fellowships, grants and contributions		–	61	–	–	–	–	–	61	408
Programme support costs		–	4 246	1 279	431	2	–	(5 958)	–	–
Total expenditure	Schedule 5.1	**29 099**	**57 227**	**15 911**	**6 518**	**77**	**6 563**	**(5 958)**	**109 437**	**120 352**
Excess/(shortfall) of income over expenditure		(8 510)	1 423	2 102	1 115	2	(520)	–	(4 388)	(12 061)
Prior-period adjustments	Note 4	63	(75)	(161)	–	–	2	–	(171)	7
Net excess of income over expenditure		**(8 447)**	**1 348**	**1 941**	**1 115**	**2**	**(518)**	**–**	**(4 559)**	**(12 054)**

United Nations Human Settlements Programme

IV. Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2013 (continued)

	Reference	Non-earmarked Foundation	Earmarked Foundation	Water and Sanitation Trust Fund	Palestinian Trust Fund	Experimental Reimbursable Seeding Operations Trust Fund	Programme support	All funds eliminations	Total 2013	Total 2011
Savings on prior-period obligations	Note 2 (k) (viii)	580	607	150	9	–	23	–	1 369	1 269
Transfers to reserves	Note 2 (o), (p) and (q)	–	–	–	–	–	–	–	–	(3 979)
Transfer from/(to) other funds		(362)	1 539	–	–	–	–	–	1 177	52
Refunds to member States and other donors	Note 5	(71)	(490)	–	–	–	–	–	(561)	(411)
Fund balances, beginning of biennium		18 759	29 267	5 615	2 160	2 934	4 514	–	63 249	78 372
Fund balances, end of biennium		**10 459**	**32 271**	**7 706**	**3 284**	**2 936**	**4 019**	**–**	**60 675**	**63 249**
Reserves, beginning of biennium		6 619	–	3 404	338	562	972	–	11 895	7 916
Transfers to reserves	Note 2 (o), (p) and (q)	–	–	–	–	–	–	–	–	3 979
Reserves, end of biennium		**6 619**	**–**	**3 404**	**338**	**562**	**972**	**–**	**11 895**	**11 895**
Total reserves and fund balances		**17 078**	**32 271**	**11 110**	**3 622**	**3 498**	**4 991**	**–**	**72 570**	**75 144**

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V. Statement of assets, liabilities, reserves and fund balances as at 31 December 2013

Foundation activities

(Thousands of United States dollars)

	Reference	*Non-earmarked Foundation*	*Earmarked Foundation*	*Water and Sanitation Trust Fund*	*Palestinian Trust Fund*	*Experimental Reimbursable Seeding Operations Trust Fund*	*Programme support*	*Total*	
								2013	*2011*
Assets									
Cash and term deposits	Note 6	3 944	43	4	–	876	–	4 867	2 801
Cash pools	Note 6	15 025	43 614	14 249	5 803	899	5 578	85 168	103 946
Voluntary contributions receivable	Schedule 5.2	80	–	–	–	–	–	80	191
Inter-fund balances receivable	Note 7	953	6	–	–	549	–	1 508	5 879
Loans and interest receivable	Note 17	–	–	–	–	1 778	–	1 778	2 251
Accounts receivable	Note 8	552	5 349	610	666	–	13	7 190	4 346
Other assets	Note 10	248	3 396	1 462	998	–	8	6 112	994
Total assets		**20 802**	**52 408**	**16 325**	**7 467**	**4 102**	**5 599**	**106 703**	**120 408**
Liabilities									
Payments or contributions received in advance	Schedule 5.2	472	–	–	–	–	–	472	11
Unliquidated obligations	Note 11	1 191	13 208	2 487	2 154	–	280	19 320	27 021
Inter-fund balances payable	Note 7	1 829	2 574	832	338	604	308	6 485	13 829
Accounts payable	Note 12	153	1 172	486	355	–	20	2 186	2 406
Other liabilities	Note 10	79	3 183	1 410	998	–	–	5 670	1 997
Total liabilities		**3 724**	**20 137**	**5 215**	**3 845**	**604**	**608**	**34 133**	**45 264**
Reserves and fund balances									
Reserves	Notes 2 (o), (p), (q) and 14	6 619	–	3 404	338	562	972	11 895	11 895
Fund balance	Notes 2 (r) and 14	10 459	32 271	7 706	3 284	2 936	4 019	60 675	63 249
Total reserves and fund balances		**17 078**	**32 271**	**11 110**	**3 622**	**3 498**	**4 991**	**72 570**	**75 144**
Total liabilities, reserves and fund balances		**20 802**	**52 408**	**16 325**	**7 467**	**4 102**	**5 599**	**106 703**	**120 408**

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Schedule 5.1
Status of allocations for the biennium ended 31 December 2013

Foundation activities

(Thousands of United States dollars)

	Allocation	*Unliquidated obligations*	*Disbursements*	*Total expenditure*	*Unencumbered balance*
Programme activities					
Staff and other personnel costs	23 427	90	19 851	19 941	3 486
Contractual services	471	28	289	317	154
Travel	629	12	523	535	94
Operating expenses	2 474	57	1 858	1 915	559
Acquisitions	33	5	29	34	(1)
Subtotal	**27 034**	**192**	**22 550**	**22 742**	**4 292**
Non-earmarked projects					
Staff and other personnel costs	4 421	933	2 880	3 813	608
Contractual services	725	434	167	601	124
Travel	701	32	708	740	(39)
Operating expenses	1 690	165	952	1 117	573
Acquisitions	73	62	22	84	(11)
Subtotal	**7 610**	**1 626**	**4 729**	**6 355**	**1 255**
Total non-earmarked Foundation	**34 644**	**1 818**	**27 279**	**29 097**	**5 547**
Earmarked Foundation					
Staff and other personnel costs	34 903	6 329	19 943	26 272	8 631
Contractual services	17 144	7 344	2 806	10 150	6 994
Travel	6 565	586	4 331	4 917	1 648
Operating expenses	16 547	4 297	6 619	10 916	5 631
Acquisitions	1 175	263	402	665	510
Fellowships, grants and contributions	90	18	43	61	29
Programme support costs	6 125	–	4 246	4 246	1 879
Total earmarked Foundation	**82 549**	**18 837**	**38 390**	**57 227**	**25 322**

Schedule 5.1
Status of allocations for the biennium ended 31 December 2013 (continued)

	Allocation	*Unliquidated obligations*	*Disbursements*	*Total expenditure*	*Unencumbered balance*
Water and Sanitation Trust Fund					
Staff and other personnel costs	11 858	1 230	5 705	6 935	4 923
Contractual services	9 189	4 294	35	4 329	4 860
Travel	1 953	156	1 126	1 282	671
Operating expenses	3 188	571	1 071	1 642	1 546
Acquisitions	900	119	325	444	456
Programme support costs	2 367	–	1 279	1 279	1 088
Total Water and Sanitation Trust Fund	**29 455**	**6 370**	**9 541**	**15 911**	**13 544**
Palestinian Trust Fund					
Staff and other personnel costs	3 259	318	1 264	1 582	1 677
Contractual services	14 889	3 331	537	3 868	11 021
Travel	379	50	77	127	252
Operating expenses	1 400	52	311	363	1 037
Acquisitions	455	90	57	147	308
Programme support costs	1 443	–	431	431	1 012
Total Palestinian Trust Fund	**21 825**	**3 841**	**2 677**	**6 518**	**15 307**
Experimental Reimbursable Seeding Operations Trust Fund					
Staff and other personnel costs	6	–	6	6	–
Travel	7	2	5	7	–
Operating expenses	8	–	8	8	–
Programme support costs	2	–	2	2	–
Total Experimental Reimbursable Seeding Operations Trust Fund	**23**	**2**	**21**	**23**	**–**

Schedule 5.1
Status of allocations for the biennium ended 31 December 2013 (continued)

	Allocation	*Unliquidated obligations*	*Disbursements*	*Total expenditure*	*Unencumbered balance*
Programme support					
Staff and other personnel costs	6 261	6	5 249	5 255	1 006
Contractual services	629	245	380	625	4
Operating expenses	688	19	646	665	23
Acquisitions	34	10	8	18	16
Total programme support	**7 612**	**280**	**6 283**	**6 563**	**1 049**
Total before currency exchange losses	**176 108**	**31 148**	**84 191**	**115 339**	**60 769**
Currency exchange losses					
Earmarked Foundation	–	–	–	2	(2)
Experimental Reimbursable Seeding Operations Trust Fund	–	–	–	54	(54)
Total currency exchange losses	**–**	**–**	**–**	**56**	**(56)**
Total expenditure	**176 108**	**31 148**	**84 191**	**115 395**	**60 713**
Less: elimination of programme support costs				(5 958)	
Net total expenditure				**109 437**	
				Statement IV	

United Nations Human Settlements Programme

Schedule 5.2
Status of contributions and unpaid pledges as at 31 December 2013

Foundation activities

(United States dollars)

Country organization	*Unpaid pledges as at 1 January 2012*	*Adjustments to prior-period pledges and receipts*	*Collections of prior-period pledges*	*Pledges for 2012-2013*	*Revaluation*	*Collections for future periods*	*Collections of 2012-2013 pledges*	*Unpaid pledges*
Human Settlements Foundation								
Non-earmarked Foundation Governments								
Afghanistan	–	–	–	2 000	–	–	2 000	–
Angola	–	–	–	2 600	–	–	2 600	–
Argentina	–	–	–	8 000	–	–	8 000	–
Barbados	–	–	–	3 000	–	–	3 000	–
Cameroon	–	–	–	–	–	2 624	–	–
Canada	–	–	–	150 233	–	–	150 233	–
Chile	–	–	–	10 000	–	–	10 000	–
China	–	29 980	29 980	100 000	–	–	100 000	–
Colombia	–	–	–	11 500	–	78 075	11 500	–
Czech Republic	–	–	–	–	–	7 482	–	–
Finland	–	–	–	1 212 506	–	–	1 212 506	–
France	–	–	–	121 617	–	–	121 617	–
Ghana	14 147	–	14 147	5 444	–	–	5 444	–
India	80 000	–	–	100 000	–	–	100 000	80 000
Israel	–	–	–	20 000	–	–	20 000	–
Japan	96 372	–	96 372	173 490	–	–	173 490	–
Kenya	–	–	–	133 798	–	–	133 798	–
Madagascar	–	–	–	850	–	–	850	–
Miscellaneous contributions to UN-Habitat	–	–	–	–	–	176 208	–	–
Mozambique	–	–	–	10 000	–	–	10 000	–
Namibia	–	–	–	1 000	–	–	1 000	–
Norway	–	–	–	9 763 988	–	–	9 763 988	–
Office of the United Nations High Commission for Refugees	–	–	–	–	–	23 618	–	–

Schedule 5.2
Status of contributions and unpaid pledges as at 31 December 2013 (continued)

Country organization	*Unpaid pledges as at 1 January 2012*	*Adjustments to prior-period pledges and receipts*	*Collections of prior-period pledges*	*Pledges for 2012-2013*	*Revaluation*	*Collections for future periods*	*Collections of 2012-2013 pledges*	*Unpaid pledges*
Pakistan	–	–	–	17 928	–	–	17 928	–
Panama	–	–	–	1 000	–	–	1 000	–
Republic of Korea	–	–	–	182 286	–	130 000	182 286	–
Russian Federation	–	–	–	20 000	–	–	20 000	–
Rwanda	–	10 000	10 000	5 000	–	–	5 000	–
South Africa	–	50 950	50 950	86 750	–	–	86 750	–
Sri Lanka	–	–	–	40 000	–	–	40 000	–
Sweden	–	–	–	4 686 237	–	–	4 686 237	–
Tunisia	–	–	–	1 347	–	53 906	1 347	–
United Republic of Tanzania	–	–	–	9 382	–	–	9 382	–
United States of America	–	–	–	2 600 000	–	–	2 600 000	–
Total non-earmarked Foundation	**190 519**	**90 930**	**201 449**	**19 479 956**	**–**	**471 913**	**19 479 956**	**80 000**
Earmarked Governments								
Brazil	–	–	–	291 496	–	–	291 496	–
China	–	(29 980)	(29 980)	490 634	–	–	490 634	–
Egypt	–	–	–	1 000 000	–	–	1 000 000	–
Finland	–	–	–	164 560	–	–	164 560	–
France	–	–	–	610 171	–	–	610 171	–
Germany	–	–	–	1 396 288	–	–	1 396 288	–
Italy	–	–	–	139 545	–	–	139 545	–
Japan	–	190 000	190 000	897 604	–	–	897 604	–
Jordan	–	–	–	127 820	–	–	127 820	–
Kuwait	–	–	–	350 631	–	–	350 631	–
Nigeria	–	–	–	500 000	–	–	500 000	–
Norway	–	–	–	15 027 332	–	–	15 027 332	–
Republic of Korea	–	–	–	600 000	–	–	600 000	–
Russian Federation	–	–	–	780 000	–	–	780 000	–

Schedule 5.2
Status of contributions and unpaid pledges as at 31 December 2013 (continued)

Country organization	*Unpaid pledges as at 1 January 2012*	*Adjustments to prior-period pledges and receipts*	*Collections of prior-period pledges*	*Pledges for 2012-2013*	*Revaluation*	*Collections for future periods*	*Collections of 2012-2013 pledges*	*Unpaid pledges*
Spain	–	–	–	4 642 015	–	–	4 642 015	–
Sri Lanka	–	–	–	39 975	–	–	39 975	–
Sweden	–	–	–	9 797 774	–	–	9 797 774	–
Total earmarked contributions from Governments	**–**	**160 020**	**160 020**	**36 855 845**	**–**	**–**	**36 516 845**	**–**
Earmarked foundation United Nations and other organizations								
Arcadis Nederland BV	–	–	–	132 604	–	–	132 604	–
AT-Verband	–	–	–	59 288	–	–	59 288	–
Campania Festival Foundation	–	–	–	1 290 725	–	–	1 290 725	–
Corporación Andina de Fomento	–	–	–	200 000	–	–	200 000	–
Corregidora	–	–	–	50 000	–	–	50 000	–
Department for International Development	–	–	–	16 040	–	–	16 040	–
Deutsche Gesellschaft für Internationale Zusammenarbeit	–	–	–	309 222	–	–	309 222	–
Economic Commission for Africa	–	–	–	272 000	–	–	272 000	–
Électricité de France	–	–	–	59 974	–	–	59 974	–
European Union	–	–	–	5 137 256	–	–	5 137 256	–
GDF Suez	–	–	–	30 000	–	–	30 000	–
Gulf Cooperation Council	–	–	–	29 907	–	–	29 907	–
Instituto Municipal de Investigación y Planeación Urbana de Cajame	–	–	–	25 000	–	–	25 000	–
International Bank for Reconstruction and Development	–	–	–	714 000	–	–	714 000	–
International Ecological Safety Collaboration Organization	–	–	–	499 900	–	–	499 900	–
International Fund for Agricultural Development	–	–	–	384 750	–	–	384 750	–
International Fund for Agricultural Development	–	–	–	200 000	–	–	200 000	–

Schedule 5.2
Status of contributions and unpaid pledges as at 31 December 2013 (continued)

Country/organization	*Unpaid pledges as at 1 January 2012*	*Adjustments to prior-period pledges and receipts*	*Collections of prior-period pledges*	*Pledges for 2012-2013*	*Revaluation*	*Collections for future periods*	*Collections of 2012-2013 pledges*	*Unpaid pledges*
Jalisco	–	–	–	360 000	–	–	360 000	–
Joint United Nations Programme on HIV/AIDS — Switzerland	–	–	–	48 600	–	–	48 600	–
Lafarge	–	–	–	29 968	–	–	29 968	–
Mojang AB	–	–	–	991 210	–	–	991 210	–
Municipality of Medellín	–	–	–	2 000 000	–	–	2 000 000	–
National Science Foundation	–	–	–	50 022	–	–	50 022	–
Office of the United Nations High Commissioner for Refugees	–	–	–	60 000	–	–	60 000	–
Siemens AG	–	–	–	129 434	–	–	129 434	–
Siemens PLC	–	–	–	30 000	–	–	30 000	–
The Ford Foundation	–	–	–	97 460	–	–	97 460	–
United Nations Development Programme	–	–	–	150 000	–	–	150 000	–
United Nations Environment Programme	–	–	–	2 006 234	–	–	2 006 234	–
United Nations Office for Disaster Risk Reduction	–	–	–	50 000	–	–	50 000	–
United Nations Office for Project Services — Switzerland	–	–	–	50 000	–	–	50 000	–
United Nations Population Fund	–	–	–	394 133	–	–	394 133	–
University of Pavia	–	–	–	51 432	–	–	51 432	–
University of Toronto	–	–	–	96 970	–	–	96 970	–
Wuppertal Institut für Klima, Umwelt, Energie GmbH	–	–	–	130 171	–	–	130 171	–
Zapopan	–	–	–	240 000	–	–	240 000	–
Total earmarked contribution from the United Nations and other organizations	**–**	**–**	**–**	**16 376 300**	**–**	**–**	**16 374 549**	**–**

Schedule 5.2
Status of contributions and unpaid pledges as at 31 December 2013 (continued)

Country organization	*Unpaid pledges as at 1 January 2012*	*Adjustments to prior-period pledges and receipts*	*Collections of prior-period pledges*	*Pledges for 2012-2013*	*Revaluation*	*Collections for future periods*	*Collections of 2012-2013 pledges*	*Unpaid pledges*
Earmarked								
Public donors								
Barcelona City Council	–	–	–	1 556 057	–	–	1 556 057	–
BASF Aktiengesellschaft	–	–	–	250 299	–	–	250 299	–
Donation of the people of Japan	–	–	–	13 935	–	–	13 935	–
Dubai Municipality	–	–	–	44 977	–	–	44 977	–
Fukuoka International Exchange Foundation	–	(190 000)	(190 000)	1 065 454	–	–	1 065 454	–
Ondo State Government	–	–	–	600 000	–	–	600 000	–
Prefeitura da Cidade do Rio de Janeiro	–	135 113	135 113	603 127	–	–	603 127	–
Rafik Hariri Foundation	–	–	–	328 183	–	–	328 183	–
United States Agency for International Development	–	–	–	4 888	–	–	4 888	–
Total earmarked contributions from public donors	**–**	**(54 887)**	**(54 887)**	**4 466 920**	**–**	**–**	**4 466 920**	**–**
Total earmarked contributions to the Foundation	**–**	**105 133**	**105 133**	**57 699 065**	**–**	**–**	**57 358 314**	**–**
Total contributions to the Foundation	**190 519**	**196 063**	**306 582**	**77 179 021**	**–**	**471 913**	**76 838 270**	**80 000**
Water and Sanitation Trust Fund								
African Development Bank	–	–	–	1 697 768	–	–	1 697 768	–
Agence Française de Développement	–	–	–	458 325	–	–	458 325	–
BASF Aktiengesellschaft	–	–	–	525 051	–	–	525 051	–
Bill and Melinda Gates Foundation	–	–	–	160 313	–	–	160 313	–
Coca-Cola — Atlanta	–	–	–	1 500 000	–	–	1 500 000	–
Coca-Cola Far East Ltd.	–	–	–	50 000	–	–	50 000	–
Coca-Cola India Pvt Ltd.	–	–	–	199 945	–	–	199 945	–
Coca-Cola Southeast Asia Inc.	–	–	–	199 950	–	–	199 950	–
European Investment Bank	–	–	–	25 837	–	–	25 837	–
European Union	–	–	–	1 038 000	–	–	1 038 000	–

Schedule 5.2
Status of contributions and unpaid pledges as at 31 December 2013 (continued)

Country organization	*Unpaid pledges as at 1 January 2012*	*Adjustments to prior-period pledges and receipts*	*Collections of prior-period pledges*	*Pledges for 2012-2013*	*Revaluation*	*Collections for future periods*	*Collections of 2012-2013 pledges*	*Unpaid pledges*
Global Environment and Technology Foundation	–	–	–	192 921	–	–	192 921	–
International Fund for Agricultural Development Headquarters — Italy	–	–	–	228 000	–	–	228 000	–
Netherlands	–	–	–	1 143 560	–	–	1 143 560	–
Norway	–	–	–	2 412 869	–	–	2 412 869	–
Swedish Agency for Economic and Regional Growth	–	–	–	25 534	–	–	25 534	–
United Nations Development Assistance Plan, United Republic of Tanzania	–	–	–	1 422 066	–	–	1 422 066	–
United Nations Development Programme	–	–	–	216 822	–	–	216 822	–
United Nations Development Programme	–	–	–	58 957	–	–	58 957	–
United Nations Mission in South Sudan	–	–	–	871 955	–	–	871 955	–
United Nations Office for Project Services — Switzerland	–	–	–	5 346 464	–	–	5 346 464	–
Total contributions to the Water and Sanitation Trust Fund	–	–	–	**17 774 337**	–	–	**17 774 337**	–
Palestinian Trust Fund								
Bahrain	–	–	–	1 000 000	–	–	1 000 000	–
European Union	–	–	–	2 573 182	–	–	2 573 182	–
France	–	–	–	909 167	–	–	909 167	–
International Bank for Reconstruction and Development, International Finance Corporation, Headquarters (Washington, D.C.)	–	–	–	174 890	–	–	174 890	–
Saudi Arabia	–	–	–	2 877 606	–	–	2 877 606	–
Total contributions to the Palestinian Trust Fund	–	–	–	**7 534 845**	–	–	**7 534 845**	–
Total contributions	**190 519**	**196 063**	**306 582**	**102 488 203**	–	**471 913**	**102 488 203**	**80 000**
				Statement IV		**Statement V**		**Statement V**

Schedule 5.2
Status of contributions and unpaid pledges as at 31 December 2013 (continued)

Ageing of unpaid pledges

	Less than six months	*Six months to one biennium*	*More than one biennium*	*More than two years*	*Total*
Governments	–	–	–	80 000	80 000
Total	–	–	–	**80 000**	**80 000**

United Nations Human Settlements Programme

VI. Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2013

Technical cooperation activities

(Thousands of United States dollars)

	Reference	Trust funds	United Nations Development Programme	Programme support	All funds eliminations	Total 2013	Total 2011
Income							
Voluntary contributions	Schedule 7.2	223 290	113	–	–	223 403	293 718
Funds received under inter-organization arrangements	Note 2 (k) (ii) and (t) (iii)	–	23 122	–	–	23 122	405
Income for services rendered		–	–	13 629	(13 629)	–	179
Interest income		1 337	–	121	–	1 458	3 750
Miscellaneous income	Note 3	872	–	–	–	872	23
Total income		**225 499**	**23 235**	**13 750**	**(13 629)**	**248 855**	**298 075**
Expenditure							
Staff and other personnel costs		64 636	1 884	13 704	–	80 224	86 832
Contractual services		55 339	1 200	343	–	56 882	82 188
Travel		6 242	119	303	–	6 664	4 692
Operating expenses		20 051	91	2 935	–	23 077	35 748
Acquisitions		10 574	21	41	–	10 636	13 882
Fellowships, grants and contributions		18 370	19 235	–	–	37 605	58 726
Programme support costs		12 484	1 159	–	(13 629)	14	(34)
Total expenditure	Schedule 7.1	**187 696**	**23 709**	**17 326**	**(13 629)**	**215 102**	**282 034**
Excess/(shortfall) of income over expenditure		37 803	(474)	(3 576)	–	33 753	16 041
Prior-period adjustments	Note 4	(737)	(63)	(7)	–	(807)	(895)
Net excess/(shortfall) of income over expenditure		**37 066**	**(537)**	**(3 583)**	**–**	**32 946**	**15 146**

United Nations Human Settlements Programme

VI. Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2013 (continued)

	Reference	*Trust funds*	*United Nations Development Programme*	*Programme support*	*All funds eliminations*	*Total* 2013	*Total* 2011
Savings on prior-period obligations	Note 2 (k) (viii)	1 130	537	69	–	1 736	800
Transfers to reserves	Note 2 (p)	–	–	–	–	–	(3 724)
Transfers from/(to) other funds		(1 177)	–	–	–	(1 177)	(52)
Refunds to member States and other donors	Note 5	(1 251)	–	–	–	(1 251)	(1 756)
Fund balances, beginning of biennium		48 517	–	9 783	–	58 300	47 886
Fund balances, end of biennium		**84 285**	**–**	**6 269**	**–**	**90 554**	**58 300**
Reserves, beginning of biennium		11 360	–	1 960	–	13 320	9 596
Transfers to reserves	Note 2 (p)	–	–	–	–	–	3 724
Reserves, end of biennium		**11 360**	**–**	**1 960**	**–**	**13 320**	**13 320**
Total reserves and fund balances		**95 645**	**–**	**8 229**	**–**	**103 874**	**71 620**

United Nations Human Settlements Programme

VII. Statement of assets, liabilities, reserves and fund balances as at 31 December 2013

Technical cooperation activities

(Thousands of United States dollars)

	Reference	*Trust funds*	*United Nations Development Programme*	*Programme support costs*	*Total* 2013	2011
Assets						
Cash and term deposits	Note 6	5 201	–	–	5 201	6 908
Cash pools	Note 6	104 217	–	7 544	111 761	114 603
Inter-fund balances receivable	Note 7	9 799	8	760	10 567	8 743
Accounts receivable	Note 8	5 227	100	69	5 396	2 155
Balances relating to projects funded by donors	Note 9	–	8 918	–	8 918	4 370
Other assets	Note 10	15 109	138	51	15 298	661
Total assets		**139 553**	**9 164**	**8 424**	**157 141**	**137 440**
Liabilities						
Unliquidated obligations	Note 11	22 851	686	174	23 711	57 307
Inter-fund balances payable	Note 7	3 408	8 341	–	11 749	6 063
Accounts payable	Note 12	3 387	–	21	3 408	1 513
Other liabilities	Note 10	14 262	137	–	14 399	937
Total liabilities		**43 908**	**9 164**	**195**	**53 267**	**65 820**
Reserves and fund balances						
Reserves	Notes 2 (p) and 14	11 360	–	1 960	13 320	13 320
Fund balances	Notes 2 (r) and 14	84 285	–	6 269	90 554	58 300
Total reserves and fund balances		**95 645**	**–**	**8 229**	**103 874**	**71 620**
Total liabilities, reserves and fund balances		**139 553**	**9 164**	**8 424**	**157 141**	**137 440**

United Nations Human Settlements Programme

Schedule 7.1
Status of allocations for the biennium ended 31 December 2013

Technical cooperation activities

(Thousands of United States dollars)

	Allocation	*Unliquidated obligations*	*Disbursements*	*Total expenditure*	*Unencumbered balance*
Trust funds					
Staff and other personnel costs	97 506	9 748	54 888	64 636	32 870
Contractual services	93 812	25 378	29 961	55 339	38 473
Travel	8 639	936	5 306	6 242	2 397
Operating expenses	37 356	4 153	15 898	20 051	17 305
Acquisitions	16 892	1 993	8 581	10 574	6 318
Fellowships, grants and contributions	23 965	1 635	16 735	18 370	5 595
Programme support costs	19 820	–	12 484	12 484	7 336
Subtotal	**297 990**	**43 843**	**143 853**	**187 696**	**110 294**
United Nations Development Programme					
Staff and other personnel costs	1 439	393	1 491	1 884	(445)
Contractual services	1 512	383	817	1 200	312
Travel	211	8	111	119	92
Operating expenses	173	10	79	89	84
Acquisitions	49	6	15	21	28
Fellowships, grants and contributions	20 273	99	19 136	19 235	1 038
Programme support costs	1 216	–	1 159	1 159	57
Subtotal	**24 873**	**899**	**22 808**	**23 707**	**1 166**
Programme support					
Staff and other personnel costs	14 554	71	13 633	13 704	850
Contractual services	410	32	311	343	67
Travel	342	14	289	303	39
Operating expenses	3 073	53	2 874	2 927	146
Acquisitions	51	3	38	41	10
Subtotal	**18 430**	**173**	**17 145**	**17 318**	**1 112**
Total before currency exchange losses	**341 293**	**44 915**	**183 806**	**228 721**	**112 572**
Currency exchange losses					
United Nations Development Programme funds	–	–	–	2	(2)
Programme support	–	–	–	8	(8)
Subtotal	**–**	**–**	**–**	**10**	**(10)**
Total	**341 293**	**44 915**	**183 806**	**228 731**	**112 562**
Less: elimination of programme support costs				(13 629)	
Net total expenditure				**215 102**	
				Statement VI	

United Nations Human Settlements Programme

Schedule 7.2
Contributions for the biennium ended 31 December 2013

Technical cooperation activities

(United States dollars)

Country organization	*2013*	*2011*
Trust fund		
Governments		
Afghanistan	1 909 633	551 009
Algeria	20 000	10 000
Australia	–	8 655 700
Bahrain	20 000	–
Burkina Faso	68 282	30 761
Cape Verde	36 061	–
Cameroon	118 928	10 166
Canada	396 456	3 204 338
Chad	39 952	–
Colombia	7 768	269 705
Comoros	9 973	–
Democratic Republic of the Congo	260 000	10 000
Denmark	805 581	–
Egypt	1 790 728	2 779 161
Finland	–	66 740
Gabon	9 943	–
Gambia	10 000	–
Germany	–	42 449
Ghana	19 950	–
India	2 709 466	–
Iran (Islamic Republic of)	1 000 000	491 006
Iraq	841 907	–
Italy	2 606 000	1 239 575
Japan	45 466 109	107 629 420
Kenya	371 254	159 935
Libya	622 581	–
Libyan Arab Jamahiriya	–	1 653 903
Madagascar	29 975	–
Mali	19 652	19 572
Mexico	345 711	241 209
Morocco	461 577	228 523
Namibia	10 000	–

Schedule 7.2
Contributions for the biennium ended 31 December 2013 (continued)

Country/organization	*2013*	*2011*
Niger	19 942	–
Nigeria	1 401 949	130 566
Norway	3 869 127	2 264 537
Pakistan	–	3 460 000
Rwanda	–	10 000
South Africa	10 000	10 000
Spain	1 654 114	9 458 167
Sudan	9 899	–
Sweden	6 786 037	4 967 274
Togo	–	9 970
Turkey	–	100 000
Uganda	–	10 000
United Kingdom of Great Britain and Northern Ireland	–	2 759 924
United Republic of Tanzania	28 217	–
United States of America	3 850 135	–
Zambia	–	19 980
Zimbabwe	9 975	9 975
Total contributions from Governments	**77 646 882**	**150 503 565**
United Nations and other organizations		
ActionAid	379 112	–
Agencia Presidencial de Cooperación Internacional de Colombia	141 811	–
Arcadis Nederland BV	30 273	–
Área Metropolitana del Valle de Aburra	167 277	–
Asian Development Bank	294 790	2 842 573
Australian Agency for International Development	5 987 491	5 615 454
Booyoung	600 000	–
Canadian International Development Agency	–	8 679 334
CARE International, UK	–	30 943
China Environmental Protection Foundation	56 135	–
Comisión Ejecutiva Portuaria Autónoma	336 340	–
Consejo de Investigación y Evaluación de la Política Social	54 475	–
Cooperación Suiza de Desarrollo	948 790	–
Corporación Andina de Fomento	53 347	–
Corporación Volver a la Gente	–	101 565
Departamento Nacional de Planeación	149 660	–
Department for International Development, United Kingdom	3 001 747	14 069 312
Empresa Colombiana de Petróleos S.A.	660 880	–
European Union	43 952 230	23 477 763

Schedule 7.2
Contributions for the biennium ended 31 December 2013 (continued)

Country organization	*2013*	*2011*
Fiduciaria de Occidente S.A.	45 388	–
Financiera de Desarrollo Territorial	150 000	–
Financiera de Desarrollo Territorial S.A.	12 500	–
Food and Agriculture Organization of the United Nations, Liaison Office, New York	49 800	–
Fukuoka Habitat Kenkyukai	50 000	–
Fundação Euclides da Cunha	217 742	63 017
Fundação Sousândrade de Apoio ao Desenvolvimento da Universidade Federal do Maranhão	193 744	58 364
GIZ	309 222	–
Global Green Growth Institute	253 000	–
Gobierno Municipal de Zapopan, México	188 078	–
International Bank for Reconstruction and Development	1 035 261	1 262 583
International Federation of Red Cross and Red Crescent Societies (IFRC), Switzerland	–	35 301
IFRC, Sri Lanka	–	64 120
Instituto Colombiano de Bienestar Familiar	147 967	–
Instituto Social de Vivienda y Hábitat de Medellín	324 269	–
International Organization for Migration	69 490	–
Irish Aid	–	245 000
Irish Aid	–	–
Japan International Cooperation Agency	6 781 631	–
Japan International Cooperation Agency	5 227 941	–
Kunshan Housing and Urban-Rural Development Bureau	256 000	–
Livelihoods and Food Security Trust Fund/United Nations Office for Project Services (UNOPS)	–	1 092 012
Millennium Development Goals secretariat	–	1 151 144
Multi-Donor Trust Fund, Pakistan	–	375 000
Municipality of Hani i Elezit	–	26 128
Municipio de Tlanepantla	77 580	–
New Zealand International Aid and Development Agency	–	250 000
Office for the Coordination of Humanitarian Affairs (United Nations)	315 554	–
Office for the Coordination of Humanitarian Affairs, Somalia	854 224	23 979
Office of the United Nations High Commissioner for Refugees	5 945 811	3 600 726
Office of the United Nations High Commissioner for Refugees Audit Section, Office of Internal Oversight Services	–	196 254
Plan International	23 710	–
Secretaría Distrital de Desarrollo Económico	1 093 310	–
Search for Common Ground/Centre Lokole	105 975	–
Swiss Agency for Development and Cooperation	831 578	–
Office of the United Nations High Commissioner for Refugees Audit Section, Office of Internal Oversight Services	–	196 254

Schedule 7.2
Contributions for the biennium ended 31 December 2013 (continued)

Country/organization	*2013*	*2011*
The Ford Foundation	105 000	–
Ulaanbaatar City Government	36 749	–
United Nations Children's Fund	656 972	1 822 452
United Nations Children's Fund Somalia Country Office	293 726	–
United Nations Development Group, Haiti Reconstruction Fund	–	12 780 640
United Nations Development Group, Iraq trust fund	–	4 119 288
United Nations Development Programme	20 059 986	14 311 810
United Nations Educational, Scientific and Cultural Organization, Islamabad	10 700	137 715
United Nations General Trust Fund	3 306 566	9 207 989
United Nations International Strategy for Disaster Reduction	105 000	158 315
United Nations Office for Project Services	363 156	–
United Nations Office for Project Services, Switzerland	488 750	–
United Nations Population Fund, Pakistan	1 503 897	1 020 000
United Nations Trust Fund for Human Security	–	514 263
United States Agency for International Development	26 900 061	29 724 494
World Food Programme	376 965	–
World Health Organization, Sudan	–	1 356 589
Total contributions from the United Nations and other organizations	**135 581 661**	**138 414 127**
Public donors		
Al Fayhaa Union of Municipalities	–	40 980
American University of Beirut	–	9 973
BASF Aktiengesellschaft	426 019	180 950
City of Munich	–	28 127
Construction Bureau of Jiangyin City	13 841	107 138
Fundação Vale	–	107 000
Institute for the Protection and the Security of the Citizen	–	91 853
Japan Habitat Association	–	30 000
Katahira and Engineers International	–	38 384
Ministry of Rural Rehabilitation and Development, Afghanistan	5 301 080	894 920
Miscellaneous contributions to UN-Habitat	–	1 670
Organization of the Islamic Conference	74 950	75 000
Prefeitura da Cidade do Rio de Janeiro	4 245 982	2 452 973
Salvation Army (Sri Lanka)	–	740 964
Total contributions from public donors	**10 061 872**	**4 799 932**
Total trust fund contributions	**223 290 415**	**293 717 624**
Projects funded by the United Nations Development Programme	**112 934**	–
Total contributions	**223 403 349**	**293 717 624**

Statement VI

United Nations Human Settlements Programme

VIII. Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2013

End-of-service and post-retirement benefits

(Thousands of United States dollars)

	Reference	After-service health insurance	Annual leave	Repatriation benefits	Total 2013	Total 2011
Non-budgeted accrued expenses		(366)	(433)	206	(593)	(9 368)
Net excess/(shortfall) of income over expenditure		(366)	(433)	206	(593)	(9 368)
Fund balances, beginning of biennium		(17 439)	(1 868)	(206)	(19 513)	(10 145)
Fund balances, end of biennium		(17 805)	(2 301)	–	(20 106)	(19 513)
Reserves, beginning of biennium		–	–	–	–	2
Transfers to reserves		–	–	501	501	(2)
Reserves, end of biennium		–	–	501	501	–
Total reserves and fund balances		**(17 805)**	**(2 301)**	**501**	**(19 605)**	**(19 513)**

Assets, liabilities, reserves and fund balances as at 31 December 2013

(Thousands of United States dollars)

	Reference	After-service health insurance	Annual leave	Repatriation benefits	Total 2013	Total 2011
Assets						
Inter-fund balances	Note 7	–	–	5 082	5 082	3 779
Total assets		**–**	**–**	**5 082**	**5 082**	**3 779**
Liabilities						
End-of-service and post-retirement benefits	Note 13	17 805	2 301	4 581	24 687	23 292
Total liabilities		**17 805**	**2 301**	**4 581**	**24 687**	**23 292**
Reserves and fund balances						
Reserves		–	–	501	501	–
Fund balances	Notes 2(r) and 14	(17 805)	(2 301)	–	(20 106)	(19 513)
Total reserves and fund balances	Note 13	**(17 805)**	**(2 301)**	**501**	**(19 605)**	**(19 513)**
Total liabilities, reserves and fund balances		**–**	**–**	**5 082**	**5 082**	**3 779**

United Nations Human Settlements Programme
Notes to the financial statements

Note 1
The United Nations Human Settlements Programme and its objectives

(a) On 16 December 1974, the General Assembly adopted resolution 3327 (XXIX), by which it created the United Nations Habitat and Human Settlements Foundation.

(b) On 19 December 1977, the General Assembly adopted resolution 32/162, by which it established a secretariat (the United Nations Centre for Human Settlements (Habitat)) and a Commission on Human Settlements.

(c) On 21 December 2001, the General Assembly adopted resolution 56/206, by which, with effect from 1 January 2002, it transformed the United Nations Centre for Human Settlements, including the United Nations Habitat and Human Settlements Foundation, into the United Nations Human Settlements Programme and the Commission on Human Settlements into the Governing Council of the United Nations Human Settlements Programme. By the same resolution, the Assembly confirmed that the Executive Director of the United Nations Human Settlements Programme shall be responsible for the management of the United Nations Habitat and Human Settlements Foundation.

(d) The main objectives of the Programme are:

(i) To improve the shelter conditions of the world's poor and to ensure sustainable human settlements development;

(ii) To monitor and assess progress towards the attainment of the Habitat Agenda goals and the targets of the Millennium Declaration and the Johannesburg Plan of Implementation on slums, safe drinking water and sanitation;

(iii) To strengthen the formulation and implementation of urban and housing policies, strategies and programmes, and to develop related capacities, primarily at the national and local levels;

(iv) To facilitate the mobilization of investments from international and domestic sources in support of adequate shelter, related infrastructure development programmes and housing finance institutions and mechanisms, particularly in developing countries and in countries with economies in transition.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations Human Settlements Programme (UN-Habitat) are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the Regulations, administrative instructions issued by the Under-Secretary-General for Management or the Controller, including the special annex of the financial rules of UN-Habitat and specific decisions of the Governing Council. They also take fully into account the

United Nations system accounting standards, as adopted by the Administrative Committee on Coordination. The Committee has since been replaced by the United Nations System Chief Executives Board for Coordination (CEB). The Organization follows International Accounting Standard 1, "Presentation of financial statements", on the disclosure of accounting policies, as modified and adopted by CEB, as stated below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed, together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a fund accounting basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the Organization is a biennium and consists of two consecutive calendar years for all funds.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For voluntary contribution income, the policy in paragraph (k) (i) below applies.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transactions, at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the Organization's rates of exchange for the last month of the financial period, a footnote will be presented quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the indirect method of cash flow, as referred to in the United Nations system accounting standards.

(h) The Organization's financial statements are prepared in accordance with the ongoing recommendations of the Working Party on Accounting Standards to CEB.

(i) The results of the Organization's operations presented in statements I, II and III are combined by type of fund after the elimination of all instances of double counting of income and expenditure. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

(j) Under General Assembly resolution 32/162, the regular budget of the United Nations meets part of the costs of the secretariat of UN-Habitat. Details of the expenditure may be found in the financial report and audited financial statements of the United Nations. However, for transparency, the status of the current period's allocations from the regular budget given to UN-Habitat are included in statement I and the related assets and liabilities, if any, in statement II.

(k) Income:

(i) Voluntary contributions from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Pledged contributions that remain outstanding for more than three years are reviewed and written off during the financial period when they would have been four years old. Outstanding pledges can only be carried in the books of UN-Habitat for more than four years upon a written commitment from the concerned donor to settle them within a defined time frame. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;

(ii) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;

(iii) Allocations from other funds represent monies appropriated or designated from one fund for transfer to and disbursement from another fund;

(iv) Income for services rendered includes reimbursements for salaries of staff members and other costs that are attributable to providing technical and administrative support to other organizations;

(v) Interest income includes all interest earned on loans, deposits in bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All gains/losses on investments and foreign exchange differences relating to the cash pools are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to the participating funds;

(vi) Miscellaneous income includes the sale of used or surplus property, refunds of expenditure charged to prior periods, income from net gains resulting from currency translations, settlements of insurance claims, monies accepted for which no purpose was specified and other sundry income;

(vii) Income relating to future financial periods is not recognized in the current financial period and is recorded as payments or contributions received in advance, as referred to in item (n) (iii);

(viii) Savings from the liquidation of prior-periods obligations relating to programme costs are credited directly to the fund balances. Savings relating to project costs are credited to the project.

(l) Expenditure:

(i) Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements. Expenditure also includes currency exchange adjustments arising from revaluation of current-period obligations;

(ii) Expenditure incurred for non-expendable property is charged to the budget of the period when acquired and is not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditure for future financial periods is not charged to the current financial period and is recorded as deferred charges, as referred to in item (m) (iv) and (vi) below.

(m) Assets:

(i) Cash and term deposits represent funds held in demand deposit accounts and interest bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term and long-term investments are stated at market value (see also note 6);

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in these pools. The investments in the cash pools are similar in nature and are accounted for as stated in item (m) (ii) above. Share in the cash pools is reported separately in each of the participating funds' statement and its composition and the market value of its investments are disclosed in note 6;

(iv) Deferred charges comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 106.7. Such commitments are restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(v) Inter-fund balances reflect transactions between funds and are included in the amounts due to and from the technical cooperation funds, trust funds, other special accounts, the United Nations General Fund and other United

Nations funds, which are normally settled periodically dependent upon availability of cash resources;

(vi) For the purpose of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(vii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged against budgetary accounts in the biennium of purchase. The value of non-expendable property is disclosed in note 15 to the financial statements;

(viii) Loan and interest receivable represents the outstanding amount of loans, including accrued interest.

(n) Liabilities and reserves, and fund balances:

(i) Operating and other types of reserves are included in the "Reserves and fund balances" shown in the financial statements;

(ii) Unliquidated obligations for future years are reported as deferred charges and as other liabilities;

(iii) Deferred income includes pledged contributions for future periods, payments and contributions received in advance and other income received but not yet earned;

(iv) Commitments of the Organization relating to prior and current financial periods are shown as unliquidated obligations, while those for future financial periods are shown under other liabilities. Current period obligations related to trust funds remain valid for 12 months following the end of the year to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations to funds of a multi-year nature remain valid until the completion of the project;

(v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vi) Accrued liabilities for end-of-service and post-retirement benefits comprise after-service health insurance, unused annual leave and repatriation benefits. These are determined on an actuarial basis.

(o) Financial reserve: as stated in rule 304.3.2 (b) of the financial rules of the Foundation, the purpose of the financial reserve is to guarantee the financial liquidity and integrity of the Foundation, to compensate for uneven cash flows and to meet such other similar requirements as may be decided upon by the Governing Council.

(p) Operating reserve: with regard to the programme support costs account and as stated in administrative instruction ST/AI/286, an operating reserve of 20 per

cent of the estimated annual programme support income is required to be held in a separate account at all times. This reserve is to protect against unforeseen shortfalls in delivery, inflation and currency adjustments or to liquidate legal obligations in case of abrupt terminations of activities financed from extrabudgetary resources. With regard to trust funds and as stated in administrative instruction ST/AI/284, an operating cash reserve at a constant level of 15 per cent of estimated annual planned expenditure will be maintained during the implementation of trust fund activities to cover shortfalls and will be utilized to meet the final expenditure under the trust fund, including any liquidating liabilities.

(q) Loan fund reserve: as stated in rule 304.3.2 (e) of the financial rules of the Foundation, the purpose of the loan fund reserve is to provide and maintain security for those borrowings incurred by the Foundation and to maintain a sound cash flow situation in the Foundation Loan Fund account.

(r) Earmarked fund balance: funds designated for specified project activities are not available for the non-earmarked project and programme expenditure of the Foundation.

(s) A provision to meet contingent liabilities for compensation payments under appendix D to the Staff Rules of the United Nations for the personnel financed from trust funds and the Foundation has been made and is calculated on the basis of 1 per cent of net base salary.

(t) Technical cooperation activities:

(i) The technical cooperation financial statements report on activities financed by voluntary contributions and funds received under inter-organizational arrangements from the United Nations Development Programme (UNDP) and other sources;

(ii) Voluntary contributions from Member States or other donors for technical cooperation activities are recorded as income upon receipt of cash, including amounts received pending the identification of specific projects;

(iii) The allocation of funds received under inter-organizational arrangements from UNDP is determined by taking into account interest and other miscellaneous income against total expenditure;

(iv) Interest and miscellaneous income for technical cooperation trust funds are credited to the trust funds concerned;

(v) Unliquidated obligations for the current period in respect to all technical cooperation activities remain valid for 12 months following the end of the calendar year, rather than the year, to which they relate. However, in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists. Savings from liquidation or cancellation of prior-period obligations are credited to individual projects as a reduction of the current period expenditure in accordance with UNDP reporting requirements;

(vi) Distribution of interest income for trust funds is calculated at year end using the percentage participation of each fund based on the monthly average fund balance.

(u) Employee benefits:

(i) UN-Habitat recognizes the following categories of employee benefits:

- Short-term employee benefits due to be settled within 12 months after the end of the accounting period in which employees render the related service
- Post-employment benefits
- Other long-term employee benefits
- Termination benefits

(ii) UN-Habitat is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined-benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies;

(iii) The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. UN-Habitat and the Pension Fund, in line with the other participating organizations in the Fund, are not in a position to identify the Programme's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UN-Habitat has treated the plan as if it were a defined contribution plan in line with the requirements of IPSAS 25: Employee benefits. The contributions of UN-Habitat to the plan during the financial period are recognized as expenses in the statement of financial performance.

(v) The change from United Nations system accounting standards to International Public Sector Accounting Standards:

(i) The United Nations is transitioning from the use of United Nations system accounting standards to International Public Sector Accounting Standards (IPSAS), which will guide presentation of the financial statements of the United Nations, including those of UN-Habitat, commencing from the 2014 financial year. Hence, the present financial statements are the last statements that will be prepared based on United Nations system accounting standards.

(ii) The International Public Sector Accounting Standards are based on full-accrual accounting, which means that all assets and liabilities are presented on the face of the financial statements and expenses, and revenues are recognized when incurred/earned, irrespective of the cash flows. IPSAS also requires significantly more note disclosures in the financial statements;

(iii) Under United Nations system accounting standards, financial accounting and budgetary accounting are aligned. With the adoption of IPSAS, the financial statements will be presented on the full accrual basis, whereas budgetary expenditure will continue to be recorded on a modified cash basis.

There will be a reconciliation between budget implementation and the financial statements, which will be presented in the notes to the financial statements;

(iv) IPSAS requires annual financial statements. Commencing from the 2014 financial year, IPSAS-compliant financial statements will be prepared and audited annually.

Note 3
Miscellaneous income

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*All funds eliminations*	*Total*	
				2013	*2011*
Gain on currency exchange transactions	1 006	821	–	1 827	115
Unspecified contributions	41	–	–	41	33
Refunds of expenditure charged to prior periods	2	–	–	2	–
Carbon emissions offsets	89	–	(89)	–	–
Other sundry income	101	51	–	152	19
Total	**1 239**	**872**	**(89)**	**2 022**	**167**

Note 4
Prior-period adjustments

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Total*	
			2013	*2011*
Adjustments to prior-period expenditure	(344)	(211)	(555)	(52)
Adjustments to prior-period pledges	196	(592)	(396)	(800)
Write-offs	(23)	(4)	(27)	(36)
Total	**(171)**	**(807)**	**(978)**	**(888)**

Note 5
Refunds to member States and other donors

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Total*	
			2013	*2011*
BASF Aktiengesellschaft	–	(31)	(31)	–
Common Fund for Commodities	(28)	–	(28)	–
Department for International Development	–	–	–	(161)
Economic Commission for Africa	–	–	–	(19)
Fundação Euclides da Cunha	–	(3)	(3)	–
Government of Belgium	–	–	–	(11)
Government of Finland	(125)	–	(125)	–
Government of Iraq	–	–	–	(140)
Government of Sweden	–	(1 034)	(1 034)	–
Government of the Netherlands	–	–	–	(21)
International Bank for Reconstruction and Development, International Finance Corporation, Headquarters (Washington, D.C.)	(122)	–	(122)	(50)
Korea International Cooperation Agency, Pakistan	–	(59)	(59)	–
Office of the United Nations High Commissioner for Refugees	–	–	–	(278)
Swedish International Development Cooperation Agency	(283)	(9)	(292)	(270)
Swedish National Police Board	–	–	–	(21)
UNDP Headquarters	–	–	–	(56)
UNDP Multi-Donor Trust Fund Office	–	(2)	(2)	–
UNDP Resident Representative, Maldives	–	–	–	(63)
United Nations Children's Fund, Pakistan	–	(1)	(1)	–
United Nations Development Group, Iraq Trust Fund, Bureau for Resources and Strategic Partnerships/United Nations Development Programme (UNDP)	–	–	–	(1 015)
United Nations Educational, Scientific and Cultural Organization, Islamabad	–	–	–	(20)
United Nations General Trust Fund	(3)	(112)	(115)	(40)
United Nations International Strategy for Disaster Reduction	–	–	–	(2)
Total	**(561)**	**(1 251)**	**(1 812)**	**(2 167)**

Note 6
Convertible and non-convertible cash and term deposits and cash pools as at 31 December 2013

(Thousands of United States dollars)

	Reference	*Cash pools*[a]	*Cash and term deposits*
Foundation activities			
United States dollar-denominated		73 072	4 775
Euro-denominated[b]		12 096	–
Indian rupee-denominated[c]		–	92
Total	Statement V	**85 168**	**4 867**
Represented by:			
Cash and term deposits, United States dollar-denominated		15 273	4 775
Cash and term deposits, euro-denominated		4 638	–
Cash and term deposits, Indian rupee-denominated		–	92
Short-term investments at market value[d]		32 761	–
Long-term investments at market value[d]		32 321	–
Accrued interest receivable		175	–
Total		**85 168**	**4 867**
Technical cooperation activities			
United States dollar-denominated	Statement VII	111 761	5 201
Represented by:			
Cash and term deposits		23 358	5 201
Short-term investments at market value[d]		44 540	–
Long-term investments at market value[d]		43 710	–
Accrued interest receivable		153	–
Total		**111 761**	**5 201**
Total Foundation and technical cooperation activities	Statement II	**196 929**	**10 068**

[a] Investments are placed in the Headquarters joint investment pools. The treasury of the United Nations Secretariat is solely responsible for the investment policy and participating offices are only responsible for their own cash flow and liquidity planning. The treasury invests in different securities, with varying due dates and interest rates. Therefore, it is not practical to indicate due dates and interest rates relating to the investment pools. See note 21 for more information.

[b] The euro cash pool comprises cash and term deposits of €3.362 million, short-term investments of €2.639 million, long-term investments of €2.713 million and accrued interest receivable of €.054 million. The United Nations operational exchange rate as at 31 December 2013 was 0.725 euros to the dollar.

[c] The exchange rate used to determine the United States dollar equivalent was 61.85 Indian rupees to the dollar. At 31 December 2013, the Indian rupee amount was equivalent to $5.680 million.

[d] Effective 31 December 2013, investments are valued at market value.

Note 7
Inter-fund balances

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total*	
				2013	*2011*
Inter-fund balances receivable	1 508	10 567	5 082	17 157	18 401
Inter-fund balances payable	(6 485)	(11 749)	–	(18 234)	(19 892)
Net inter-fund receivable/(payable)	**(4 977)**	**(1 182)**	**5 082**	**(1 077)**	**(1 491)**
Net inter-fund payable to the United Nations Office at Nairobi				(1 077)	(1 491)
Net inter-fund payable				**(1 077)**	**(1 491)**

The inter-fund accounts reflect transactions between the Foundation and technical cooperation activities, the United Nations General Fund and other funds that are settled periodically.

Note 8
Accounts receivable

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Regular budget*	*Total*	
				2013	*2011*
Staff members	731	250	–	981	775
United Nations agencies/entities	6 230	4 929	410	11 569	5 875
Vendors	60	51	–	111	42
Governments	113	138	–	251	207
Others	56	28	–	84	116
Total	**7 190**	**5 396**	**410**	**12 996**	**7 015**
Ageing of accounts:					
Less than six months	3 861	3 190	410	7 461	6 573
Six months to one year	1 134	1 251	–	2 385	59
More than one year	2 141	464	–	2 605	113
More than two years	54	491	–	545	270
Total	**7 190**	**5 396**	**410**	**12 996**	**7 015**

Note 9
Balances relating to projects funded by donors

The amount of $8.918 million shown in statement II as "Balances relating to projects funded by donors" represents the amount receivable from the United Nations Development Programme in accordance with existing arrangements, of which $0.686 million is related to unliquidated obligations.

Note 10
Other assets and liabilities

(Thousands of United States dollars)

	Foundation activities	Technical cooperation activities	Total 2013	Total 2011
Other assets				
Deferred charges — future-year obligations	5 670	14 399	20 069	1 310
Deferred charges — education grant advances	250	69	319	328
Other	189	794	983	17
Prepayments	3	36	39	–
Total	**6 112**	**15 298**	**21 410**	**1 655**
Other liabilities				
Reinstated obligations on outstanding payments above threshold	–	–	–	1 624
Future-year obligations	5 670	14 399	20 069	1 310
Total	**5 670**	**14 399**	**20 069**	**2 934**

Note 11
Unliquidated obligations

(Thousands of United States dollars)

	Foundation activities	Technical cooperation activities	Regular budget	Total 2013	Total 2011
Prior periods	1 273	1 036	–	2 309	9 158
Current period	18 047	22 675	410	41 132	75 684
Total	**19 320**	**23 711**	**410**	**43 441**	**84 842**

Note 12
Accounts payable

(Thousands of United States dollars)

	Foundation activities	Technical cooperation activities	Total 2013	Total 2011
Staff members	109	68	177	568
United Nations agencies/entities	1 350	1 188	2 538	2 612
Vendors	198	2 036	2 234	112
Governments	201	–	201	312
Others	328	116	444	315
Total	**2 186**	**3 408**	**5 594**	**3 919**

Note 13
End-of-service and post-retirement benefits

(Thousands of United States dollars)

	Total	
	2013	*2011*
After-service health insurance	17 805	17 439
Annual leave	2 301	1 868
Repatriation benefits	4 581	3 985
Total	**24 687**	**23 292**
Less: provision already made	(5 082)	(3 779)
Net liability not funded	**19 605**	**19 513**

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, annual leave and repatriation benefits. As disclosed in note 2 (n) (vi), all three liabilities are determined on the basis of an actuarial valuation. A valuation was carried out as at 31 December 2013 and the next is planned for as at 31 December 2015;

(b) After-service health insurance:

(i) Upon separation from service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to that date. This benefit is referred to as after-service health insurance;

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2013 were a discount rate of 5.06 per cent, a current- and future-year rate of inflation of 2.5 per cent; health-care escalation rates of 7.3 per cent and 6.3 per cent in 2013 for United States non-Medicare and United States Medicare plans, respectively, grading down to 4.5 per cent in 10 years, 5.0 per cent in 2013, grading down to 4.5 per cent in 10 years for United States dental plans, and a flat rate of 5.0 per cent for non-United States medical plans; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Pension Fund in making its own actuarial valuation;

(iii) Contributions from retirees and a portion of the contributions from active staff are deducted from the gross liability in order to arrive at the Organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the Organization's share not exceed one-half for non-United States health plans, two thirds for United States health plans, and three quarters for the medical insurance plan. This refinement in determination of plan participants' contributions is reflective of the fact that both active and retired staff participate in the same health insurance plans and that their collective contributions serve to meet the approved cost-sharing ratios;

(iv) On the basis of the assumptions outlined in (ii) and (iii) above, the present value of the accrued liability as at 31 December 2013 was estimated at $17.805 million and $17.439 million as at 31 December 2011;

(v) Further to the assumptions in (b) (ii) above, it is estimated that the present value of the liability would decrease by 19.5 per cent or increase by 25.7 per cent if the discount rate increased or decreased by 1.0 per cent, respectively, with all other assumptions held constant. Similarly, it is estimated that the accrued liability would increase by 23.7 per cent and decrease by 18.2 per cent if health-care trend rates increased or decreased by 1.0 per cent, respectively.

(c) Annual leave:

(i) Upon separation from service, staff members may commute unused leave days up to a maximum of 60 working days for those holding fixed-term or continuing appointments. This benefit is referred to as annual leave benefit;

(ii) The major assumptions used by the actuary were a discount rate of 4.29 per cent; annual salary increases ranging from 9.1 per cent to 4.0 per cent based on the age and category of staff members; and an annual rate of increase in accumulated annual leave balances of 9.1 days for 1 to 3 years of service, 5.1 days for 4 to 6 years of service and 0.7 days for 7 or more years of service;

(iii) On the basis of these assumptions, the present value of the accrued liability for annual leave as at 31 December 2013 was estimated at $2.301 million and $1.868 million as at 31 December 2011.

(d) Repatriation benefits:

(i) Upon separation from service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant that is based on length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits;

(ii) The major assumptions used by the actuary were a discount rate of 4.21 per cent; annual salary increases ranging from 9.1 per cent to 4.0 per cent based on age and category of staff members; and travel cost increases of 2.5 per cent per annum;

(iii) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2013 was estimated at $4.581 million and $3.985 million as at 31 December 2011.

Note 14
Reserves and fund balances

(Thousands of United States Dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total*	
				2013	*2011*
Financial reserve	6 619	–	–	6 619	6 619
Loan fund reserve	550	–	–	550	550
Operating reserve	4 726	13 320	–	18 046	18 046
Other reserves[a]	–	–	501	501	–
Total reserves	**11 895**	**13 320**	**501**	**25 716**	**25 215**
Loan fund balance	2 654	–	–	2 654	2 642
Earmarked fund balance	43 276	84 287	–	127 563	85 678
Cumulative surplus/(deficit)	14 745	6 267	(20 106)	906	13 716
Total fund balances	**60 675**	**90 554**	**(20 106)**	**131 123**	**102 036**
Total reserves and fund balances	**72 570**	**103 874**	**(19 605)**	**156 839**	**127 251**

[a] Other reserves represents excess accruing of the repatriation benefits through payroll over the liability as per the actuarial valuation.

Note 15
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the Organization but is charged against current appropriations when acquired.

(Thousands of United States dollars)

	Total	
	2013	*2011*
Headquarters		
Computer equipment	1 536	1 594
Office equipment	12	12
Radio and telecommunications equipment	61	55
Audiovisual/photographic equipment	94	97
Transportation equipment	223	201
Furniture	552	568
Document and reproduction equipment	9	13
Medical equipment	17	17
Total Headquarters	**2 504**	**2 557**

	Total	
	2013	2011
Offices away from Headquarters		
Regional and outposted offices	561	571
Projects	11 306	11 471
Total offices away from Headquarters	**11 867**	**12 042**
Total	**14 371**	**14 599**
Summary		
Opening balance	14 599	9 595
Acquisitions	2 322	3 248
Disposals		
Write-offs	(381)	(30)
Sales	(187)	(13)
Donations	(3 433)	(83)
Transfers to other offices/missions	(266)	(2)
Prior-period adjustments[a]	1 717	1 884
Closing balance	**14 371**	**14 599**

[a] Prior-period adjustments represents adjustments to the inventory in the database for the prior period to reflect actual physical count as at 31 December 2013.

Note 16
Status of regular budget fund allocations (exclusive of staff assessments) as at 31 December 2013

(Thousands of United States dollars)

	Allocation	Unliquidated obligations	Disbursements	Total expenditure	
				2013	2011
United Nations General Fund					
Staff and other personnel costs	21 206	43	21 137	21 180	21 387
Operating expenses	2 192	141	1 771	1 912	2 099
Subtotal	**23 398**	**184**	**22 908**	**23 092**	**23 486**
Special Account for Supplementary Development Activities					
Staff and other personnel costs	90	–	83	83	22
Contractual services	694	79	256	335	551
Travel	171	19	90	109	106
Operating expenses	36	–	25	25	22
Fellowships, grants and contributions	861	128	420	548	490
Subtotal	**1 852**	**226**	**874**	**1 100**	**1 191**
Total	**25 250**	**410**	**23 782**	**24 192**	**24 677**

Note 17
Experimental Reimbursable Seeding Operations Trust Fund

(a) An amount of $2.750 million has been allocated for reimbursable seeding operations under the Loan Fund account.

(b) A Loan Fund reserve has been established at the level of 20 per cent of disbursed reimbursable seeding operations under the Loan Fund account to provide and maintain security to those borrowings incurred by the Foundation and to maintain a sound cash flow situation in the Foundation Loan Fund.

(c) Interest income from loan operations is recognized as income in the year when earned.

(d) The following is a summary of the loan account.

(Thousands of United States dollars)

	2013	*2011*
Interest income — loans[a]	67	75
Interest income — other	12	22
Total interest income	**79**	**97**
Loans and interest receivable	1 778	2 251
Loan Fund balance	2 654	2 642

[a] Includes accrued interest.

(e) As at 31 December 2013, five loans had been disbursed. The maturity dates of the loans receivable are as follows:

(Thousands of United States dollars)

	2013	*2011*
5 years or less	484	796
6 to 10 years	240	340
More than 10 years	1 049	1 108
Total loans receivable	**1 773**	**2 244**
Add: Accrued interest	5	7
Total loans and interest receivable	**1 778**	**2 251**

(f) These loans bear interest at a weighted average rate of 4.2 per cent.

Note 18
Contingent liabilities

As at 31 December 2013, UN-Habitat had two staff-related potential cases of contingent liabilities. Management has determined that one case meets the criteria for disclosure as contingent liabilities. The estimated liability is $0.015 million.

Note 19
Contributions in kind

During the biennium ended 31 December 2013, UN-Habitat received voluntary contributions in kind of various goods and services from Governments and other organizations. The estimated fair value of such contributions was $3.668 million. These comprise the following:

(Thousands of United States dollars)

Category	*Amount*
Office furniture and equipment	99
Leases	2 596
Gratis personnel	875
Vehicles and cycles	98
Total	**3 668**

Note 20
Cash pools

(a) Background:

(i) The United Nations Treasury centrally invests surplus funds on behalf of the United Nations Secretariat, including UN-Habitat. Such surplus funds are combined in two internally managed cash pools that invest in major segments of the money and fixed-income markets. Pooling the funds has a positive effect on overall investment performance and risk because economies of scale can be realized and yield curve exposures can be spread across a range of maturities;

(ii) The investment activities of all the cash pools are guided by the principles contained in the investment management guidelines. An investment committee periodically assesses compliance with the guidelines, makes recommendations for their updating and reviews the performance of the various cash pools.

(b) Investment management objectives:

In accordance with the guidelines, the investment objectives of all the cash pools, in order of priority, are the following:

(i) Safety: ensure the preservation of capital;

(ii) Liquidity: ensure sufficient liquidity to enable the United Nations and participating entities to readily meet all operating requirements. Only assets which have a readily available market value and can be easily converted to cash are held;

(iii) Return on investment: attain a competitive market rate of return taking into account investment risk constraints and the cash flow characteristics of the pool. Benchmarks determine whether satisfactory market returns are being achieved in the cash pool.

(c) Cash pools:

(i) The United Nations Headquarters Treasury manages investments in two cash pools, the main cash pool and the euro cash pool:

a. With effect from 1 July 2013, the United Nations Headquarters cash pool and the offices away from Headquarters cash pool were combined to form the main cash pool. The main cash pool now comprises operational bank account balances and investments in United States dollars;

b. The euro cash pool comprises investments in euros; the pool participants are mostly offices away from Headquarters that may have a surplus of euros from their operations;

(ii) The cash pools invest in a variety of securities. Such securities may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments or asset-backed, mortgage-backed or equity products;

(iii) Investment transactions are now accounted for on a trade date basis, reflecting a change from settlement date. The 2011 figures have not been restated, as the impact of the change in valuation has been deemed to be immaterial. Investment income is recognized on the accrual basis; transaction costs that are directly attributable to the investment activity of the cash pools are expensed as incurred in the cash pools and the net income is distributed proportionately to the funds participating in the cash pools. The unrealized market gains/losses on securities and foreign exchange gains/losses are distributed proportionately to all participants based on their end-of-year balances;

(iv) Gains and losses on the sale of investments are calculated as the difference between the sales proceeds and book value, and are reflected in the net income distributed to the cash pool participants;

(v) As at 31 December 2013, investments have been recorded at fair value. The 31 December 2011 comparative figures represent the book value of investments. The 2011 figures have not been restated, as the impact of the change in valuation has been deemed to be immaterial.

(d) Financial information pertaining to the cash pools:

(i) As at 31 December 2013, the cash pools held total assets of $9,640.8 million. Of this amount, $196.9 million was due to UN-Habitat, as reflected against the cash pool line in statement II above;

(ii) Financial information of the cash pools as at 31 December 2013 is summarized in table V.1.

Table V.1
Summary of assets and liabilities of the cash pools as at 31 December 2013
(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Assets			
Short-term investments[a]	5 687 907	27 730	5 715 637
Long-term investments[a]	3 734 459	28 508	3 762 967
Total investments	**9 422 366**	**56 238**	**9 478 604**
Cash	113 200	35 325	148 525
Accrued investment income	13 084	570	13 654
Total assets	**9 548 650**	**92 133**	**9 640 783**
Liabilities			
Payable to UN-Habitat	184 832	12 095	196 927
Payable to other funds participating in the cash pools	9 363 818	80 038	9 443 856
Total liabilities	**9 548 650**	**92 133**	**9 640 783**
Net assets	–	–	–

Summary of net income of the cash pools for the year ended 31 December 2013
(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Income			
Investment revenue	96 592	2 491	99 083
Realized gains on sales of securities	24 643	2 391	27 034
Foreign exchange adjustments	4 241	50	4 291
Unrealized gains (losses)	4 811	(82)	4 729
Net income from investments	**130 287**	**4 850**	**135 137**
Bank fees	(1 083)	(1)	(1 084)
Net income from operations	**129 204**	**4 849**	**134 053**

[a] Amounts are stated at fair value.

(c) Composition of cash pools:

Table V.2 shows a breakdown of investments held in the cash pools by type of instrument.

Table V.2
Investments of the cash pools by type of instrument as at 31 December 2013
(Thousands of United States dollars)

Main pool	*Book value*	*Fair value*[a]
Bonds		
Non-United States agencies	2 073 122	2 077 421
Non-United States sovereigns	670 963	674 773
Supranationals	250 075	250 246
United States agencies	555 494	556 492
United States Treasuries	1 597 161	1 592 050
Subtotal	**5 146 815**	**5 150 982**
Discounted instruments	2 138 208	2 138 849
Certificates of deposit	250 000	250 003
Term deposits	1 882 532	1 882 532
Total investments	**9 417 555**	**9 422 366**

Euro pool	*Book value*	*Fair value*[a]
Bonds		
Non-United States agencies	13 942	13 937
Non-United States sovereigns	28 578	28 508
Supranationals	13 794	13 793
Total investments	**56 314**	**56 238**

Total of cash pools	*Book value*	*Fair value*[a]
Bonds		
Non-United States agencies	2 087 064	2 091 358
Non-United States sovereigns	699 541	703 281
Supranationals	263 869	264 039
United States agencies	555 494	556 492
United States Treasuries	1 597 161	1 592 050
Subtotal	**5 203 129**	**5 207 220**
Discounted instruments	2 138 208	2 138 849
Certificates of deposit	250 000	250 003
Term deposits	1 882 532	1 882 532
Total investments	**9 473 869**	**9 478 604**

[a] Fair value is determined by the independent custodian based on valuations of securities that are sourced from third parties.

(f) Financial risk management:

The cash pools are exposed to a variety of financial risks, including credit, liquidity, currency and market risk (which includes interest rate risk and other price risks), as described below:

(i) Credit risk:

The guidelines require that investments not be made in issuers whose credit ratings are below specifications, and provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made. The credit ratings used are those determined by the major credit-rating agencies: Standard & Poor's and Moody's are used to rate bonds and commercial paper, and the Fitch Viability Rating is used to rate term deposits. The credit ratings of the issuers whose securities were held in the cash pools are shown in table V.3.

Table V.3
Investments of the cash pools by credit ratings as at 31 December 2013
(Thousands of United States dollars)

Main pool	*Total*[a]	*Ratings*
Bonds	5 150 982	Standard and Poor's: 32.3% AAA and 63.1% AA+/Aa; 4.6% not rated; Moody's: 81.9% Aaa and 18.1% Aa1/Aa3
Discounted instruments	2 138 849	Standard and Poor's: 71.7% A-1+ and 24.1% NR; Moody's: 95.8% P-1; Fitch: 4.2% aa-
Certificates of deposit	250 003	Standard and Poor's: 40% A-1+; Moody's: 40% P-1; Fitch: 60% a+/a-
Term deposits	1 882 532	Fitch: 58.6% aa- and 41.4% a+/a/a-
Total investments	**9 422 366**	

Euro pool	*Total*[a]	*Ratings*
Bonds	56 238	S&P: 75% AAA and 25% AA+; Moody's: 100% Aaa
Total investments	**56 238**	

[a] Represents the fair value of securities as at 31 December 2013.

(ii) Liquidity risk:

The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. They maintain sufficient cash and marketable securities to meet commitments as and when they fall due. The major portion of the pools' cash and cash equivalents and investments are available within one day's notice to support operational requirements. Hence, the cash pools are able to respond to withdrawal needs in a timely manner and liquidity risk is considered to be low.

(iii) Currency risk:

Currency risk is the risk that the value of investments denominated in non-United States dollars will fluctuate owing to changes in foreign exchange rates versus the United States dollar. The main pool has no currency risk, as all

its investments are in United States dollars. The main pool has currency risk for operational bank balances. The euro pool is exposed to currency risk by holding securities in euros. Accordingly, funds participating in the euro pool are exposed to currency risk to the extent that their share of investments exceeds their operational requirements for euros.

(iv) Interest rate risk:

Interest rate risk is the risk of variability in investments' values owing to changes in interest rates. In general, as the interest rate rises, the price of a fixed rate security falls, and vice versa. Interest-rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest-rate risk;

The cash pools are exposed to interest-rate risk, as their holdings comprise interest-bearing securities. As at 31 December 2013, the pools invested primarily in securities with shorter terms to maturity, with the maximum term being less than four years. The average durations of the main pool and euro pool were 0.92 years and 0.64 years, respectively, which are considered to be indicators of low interest-rate risk;

Table V.4 shows how the fair value of the cash pools as at 31 December 2013 would increase or decrease should the overall yield curve shift in response to changes in interest rates. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). However, in view of the current interest rate environment, the basis point shifts should be considered to be illustrative.

Table V.4
Sensitivity of the cash pools to interest rates as at 31 December 2013

Shift in yield curve (basis points)	*Change in fair value (millions of United States dollars)*		
	Main pool	*Euro pool*	*Total*
(200)	174.0	1.1	175.1
(150)	130.0	0.8	130.8
(100)	87.0	0.6	87.6
(50)	43.0	0.3	43.3
0	0.0	0.0	0.0
50	(43.0)	(0.3)	(43.3)
100	(87.0)	(0.6)	(87.6)
	(130.0)	(0.8)	(130.8)
200	(174.0)	(1.1)	(175.1)

(iv) Other price risks:

The cash pools are not exposed to significant other price risks, as they do not sell short, borrow securities to purchase securities on margin, all of which limits the potential loss of capital.